

► SENIOR MANAGEMENT TEAM

TAN SRI TONY FERNANDES

Non-Independent Executive
Director and Group Chief
Executive Officer
Malaysian
(See under Board
of Directors)

DATUK KAMARUDIN BIN MERANUN

Non-Independent Executive
Chairman
Malaysian
(See under Board of
Directors)

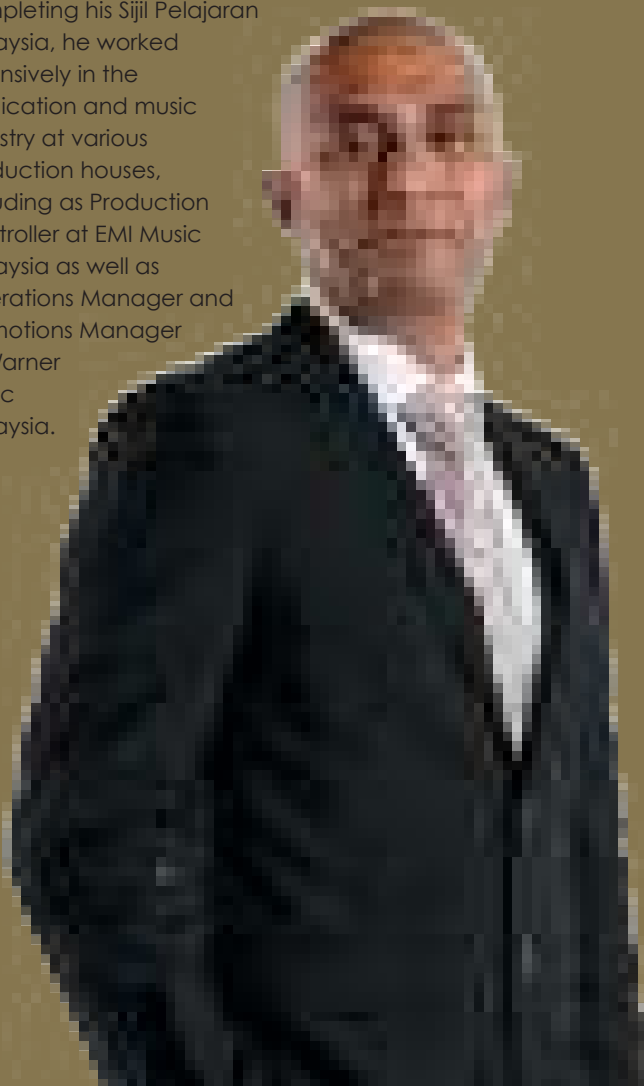
DREAM TEAM

**THARUMALINGAM A/L
KANAGALINGAM
@ BO LINGAM****Deputy Group Chief Executive Officer
(Airlines)****Malaysian**

Tharumalingam Kanagalingam, male, 54, also known as Bo Lingam, oversees our airline operations, commercial and finance functions, network planning and cargo, as well as the business development of new airlines.

Bo joined AirAsia in 2001 as a Ground Operations Manager, responsible for the implementation of the low-cost concept in operations and procurement. Since then, he has held several key positions including Purchasing and Supplies Senior Manager, Regional Guest Services Director and President and Group Chief Operations Officer, supervising and driving process improvements in AirAsia's operations in Malaysia, Thailand, Indonesia, the Philippines, India and Japan. He was also instrumental in setting up new airlines in the region for the Group.

Prior to joining AirAsia, and upon completing his Sijil Pelajaran Malaysia, he worked extensively in the publication and music industry at various production houses, including as Production Controller at EMI Music Malaysia as well as Operations Manager and Promotions Manager at Warner Music Malaysia.

**AIREEN OMAR****Deputy Group Chief Executive Officer
(Technology and Digital)****Malaysian**

Aireen Omar, female, 45, is responsible for AirAsia's digital strategy, promoting innovation throughout the Group and encouraging collaboration across AirAsia's businesses and markets. Additionally, she oversees large, strategic Group-wide initiatives to help transform AirAsia into a global, cloud-driven product and platform company.

She also spearheads AirAsia's non-airline companies such as BigPay, AirAsia BIG Loyalty, ROKKI, travel360.com, Vidi, RedTix, AirAsiaGo, Big Data for Humans, RedBox and Santan.

Prior to this, Aireen was the Executive Director and Chief Executive Officer of AirAsia Malaysia, Regional Head of Corporate Finance, Treasury and Investor Relations, and also a member of the Safety Review Board.

Aireen joined AirAsia in January 2006 as Director of Corporate Finance, her portfolio expanding quickly to also include Treasury, Fuel Procurement and Investor Relations functions. Taking on these roles, she was instrumental in shaping the development of AirAsia into one of the fastest growing and most highly-acclaimed airlines globally.

She launched her career at Deutsche Bank Securities Inc in 1997, holding positions in New York and London before leaving in 2000 from the Equity Arbitrage Proprietary Trading Desk focusing on international equities, equity derivatives and equity-linked products. After returning to Malaysia in 2001, she served in several major local financial institutions including the Maybank Group, the country's largest banking and financial services group.

She is an Economics graduate of the London School of Economics and Political Science and also holds a Master in Economics from New York University.





SENIOR
MANAGEMENT TEAM



DYNAMIC
AND
DRIVE

PATTRA BOOSARAWONGSE

Group Chief Financial Officer Thai

Pattra Boosarawongse, female, 49, joined AirAsia in March 2014 as Chief Financial Officer of AirAsia Thailand and Asia Aviation PCL. She was appointed as Group Chief Financial Officer on 5 October 2018.

She has delivered strong financial and operational results within our Thai associate's Finance Department specifically and the company in general. In her role as Group CFO, Boosarawongse is responsible for our Group Finance, Group Strategy, Group Treasury, Group Investor Relations and Group Procurement. She also oversees our shared service unit, AirAsia SEA Sdn Bhd (F.K.A. AirAsia Global Shared Services Sdn Bhd), in Penang.

A Certified Public Accountant, Boosarawongse started her career as a senior auditor at Ernst & Young. She then joined Sony Music as its Finance Director and rose to become its General Manager. She also assumed a regional role as team leader to implement a new group financial system covering 10 countries. In 2013, she played a key role in the merger of Sony Music with BEC TERO, and led the BEC TERO music department. Boosarawongse graduated from Thammasat University in Thailand with a Master's in Finance and Accounting.

CAPTAIN ADRIAN JENKINS

Group Chief Operations Officer Malaysian

Captain Adrian Jenkins, male, 50, is responsible for the safe and efficient operation of AirAsia's aircraft, overseeing pilot and cabin crew recruitment, training and operations as well as ensuring compliance with national and international regulatory requirements and procedures.

Captain Jenkins joined AirAsia in 1996, when the airline was still owned by HICOM Holdings Berhad.

Since then, he has served AirAsia in various positions including instructor and Company Check Airman, Assistant Chief Pilot of Training and Standards, and Assistant Chief Pilot of Operations. He was also closely involved in setting up AirAsia Thailand's flight operations and pilot training. In 2006, he was made Regional Head of Flight Operations before his appointment as Group Director of Flight Operations on 2 January 2015, and then as Group Chief Operating Officer on 13 December 2017.



SENIOR
MANAGEMENT TEAM



RESOURCE

VARUN BHATIA

Chief People and Culture Officer Singaporean

Varun Bhatia, male, 55, is responsible for building the company's People practices across various areas such as recruitment, training, talent management, performance management and compensation. He works closely with the senior management team to continue building AirAsia's organisational culture.

Bhatia has close to three decades of global human resources experience, leading human resources operations across more than 40 countries in various Fortune 500 companies. This has seen him live and work in local cultures and communities in New Delhi, London, Singapore, Boston and San Francisco.

He has worked as Chief Human Resources Officer at Levi Strauss & Co in San Francisco and Head of Human Resources for Asia Pacific at Kraft Foods in Singapore where, together with the leadership team, he helped to grow the business organically and through acquisitions from USD1 billion to USD5 billion in four years.

Before that, he had a long and successful career with Gillette/Procter and Gamble, where he assumed various roles of increasing responsibility to head country, regional and global human resources organisations with extensive on-ground experience in Asia for over a decade and close to another decade in the UK and US. He has also served as a consultant and advisor to several early to mid-stage HRTech companies in the Silicon Valley and Asia.

Bhatia completed his postgraduate degree in Human Resources at Xavier School of Management (XLRI) in India and a Bachelor of Arts in Economics at Shri Ram College of Commerce, Delhi University. He studied organisational behaviour at Harvard University, corporate finance at the London Business School and how to build effective boards for start-ups under Stanford University's Continuing Studies programme.

JACKSON PEK

Chief Legal Officer American

Jackson Pek, male, 48, oversees AirAsia's corporate and legal affairs worldwide.

Prior to joining AirAsia in 2018, he served as Vice President and General Counsel, Asia Pacific for global travel and financial platform company Amadeus, where he was also in charge of the Asia Pacific regional office in Bangkok as Managing Director.

Before joining Amadeus in 2006, Pek was a senior attorney at IBM for Asean and South Asia. He also practised law in the US and Asia with global law firms White & Case and Skadden Arps and served on the faculty of the National University of Singapore (NUS) Law School.

A frequent speaker at industry events, Pek has presented at international conferences organised by the United Nations World Tourism Organization (UNWTO), International Air Transport Association (IATA) and Pacific Asia Travel Association (PATA).

Pek holds business and law degrees from the Wharton School at the University of Pennsylvania, US and New York University School of Law.

EFUL

70

► LEADERSHIP



SENIOR
MANAGEMENT TEAM

Two men in dark suits and ties are standing against a gold background with a repeating star pattern. The man on the left is smiling and making an 'OK' hand gesture with his right hand. The man on the right is also smiling and has his hands at his sides.

STALWART OF SAFE

NADZRI HASHIM

Group Head of Engineering Malaysian

Nadzri Hashim, male, 54, joined AirAsia in May 2005 as a technical services manager. In his 11 years with the company, he has established new structures and strategies in aircraft engineering.

He has been involved in introducing new aircraft maintenance and operations systems, the Class 1 Less Paper Cockpit, various avionics modifications, major structural repair and aircraft configuration changes and local authorities' type acceptance.

On 1 April 2016, he was appointed Head of Engineering responsible for Maintenance Operations, Ground Support Equipment, Planning, Safety Management System and Training.

Prior to joining AirAsia, Nadzri was a technical services engineer at Emirates Airlines, part of a team responsible for all strategic configurations and repair of the airline's wide-body cabin interiors. His team was also responsible for the introduction of the Airbus A380 into service.

Nadzri obtained a Bachelor of Science in Aeronautical and Astronautical Engineering from Ohio State University, US. He also holds a DCA Design Organization Certification and Verification Engineer Approval, the Head of Design Organization and was a Part M Continuing Airworthiness Nominated Holder.

CAPTAIN LING LIONG TIEN

Group Head of Safety Malaysian

Captain Ling Liong Tien, male, 43, oversees the overall safety of all the AirAsia Group of airlines. Apart from the implementation of a comprehensive Safety Management System (SMS), he works very closely with all levels of the airlines to strive for the highest safety and quality standards.

After graduating from the Australian Aviation College in Adelaide, Captain Ling started his career with Malaysia Airlines in 1994 as a pilot, flying the de Havilland Canada DHC-6 Twin Otter, Boeing 737 and Airbus A330. In 2004,

he joined Etihad Airways in Abu Dhabi as part of the start-up team. In addition to flying the Airbus A330 and A340 for the airline, he was involved in numerous projects, including the training of pilots.

Captain Ling joined AirAsia's wide-body operations in 2009 when it was in its infancy. He has held numerous management positions within the company in flight operations, training, safety and quality assurance.

During his flying career, Captain Ling acquired a Master of Business Administration from the University of Southern Queensland, Australia. Building on a passion for safety, he also qualified as an Aviation Accident Investigator certified by Cranfield University, UK, a qualified A330 Type Rating Instructor and Examiner (TRI/E), and a qualified IATA Operational Safety Audit (IOSA) Auditor.

S ETY



SENIOR
MANAGEMENT TEAM



TECH TITANS

DECLAN HOGAN

Group Head of Technology Operations

Irish

Declan Hogan, male, 45, was appointed as Group Head of Technology Operations in December 2015. He and his teams are responsible for IT operations, IT security, project management, enterprise product management, networking and infrastructure.

He brings with him over 20 years of experience in IT, with the last 12 years in senior management positions.

Prior to joining AirAsia, Hogan was Vice President of IT at FlyDubai in the UAE where he led the set-up and management of the airline's IT function. He has also held IT management positions in organisations across various industries, including telecommunications, real estate and private equity ventures across the UAE, Australia and the UK.

Hogan has a Bachelor of Arts in Anthropology and Geography and a Postgraduate Diploma in Communications from the National University of Ireland, Maynooth.

NIKUNJ SHANTI

Group Head of Product American

Nikunj Shanti, male, 40, brings a strong mix of retail, product and analytical experience to his role as Chief Product Officer, where he leads efforts to use customer data in ground-breaking ways to deliver significant growth for our business.

Prior to joining AirAsia, Shanti was with Emirates Airlines in Dubai working on data projects to help increase conversion, customer experience and integrate data-driven approaches to various operational units. Previously, he worked at Tigerair running the e-commerce and ancillary revenue team. Before Tigerair, he spent seven years at Expedia Inc leading various teams, with his last position being the Head of Analytics and Website Optimisation.

Shanti has a Bachelor of Science from Columbia University, US, with dual minors in Economics and Computer Science.



SENIOR
MANAGEMENT TEAM



DIGITAL MAVER

HOW KIM LIAN

Deputy Group Chief Financial Officer Malaysian

How Kim Lian, male, 46, oversees all finance matters of the non-airline ventures under the AirAsia Group as well as the digital initiatives within the airline operation. He joined AirAsia in 2015 as Chief Financial Officer of AirAsia Berhad and has now assumed the role of Deputy Group Chief Financial Officer of AirAsia Group Berhad as well as Group Chief Financial Officer of RedBeat Ventures Sdn Bhd (RBV). RBV is the investment arm of AirAsia Group overseeing all its non-airline, digital ventures.

How has over two decades of finance experience in numerous countries such as China, Hong Kong, Indonesia and the US. He was awarded the Best CFO For Investor Relations by Malaysia Investor Relations in 2017. He has experience in various corporate exercises which include the dual listing of a Fortune 500 company with over USD88 billion in assets on the Shanghai Stock Exchange and reporting under various jurisdictions such as the Hong Kong and US GAAP.

Prior to joining AirAsia, How headed the Finance Consultancy practice of PricewaterhouseCoopers in Malaysia. At PwC, he led various organisational and finance transformation projects in the government sector and logistics and aviation industries, specialising in merger integration and enterprise performance management to assist companies gain better insight into their business.

How is a Certified Public Accountant and a Certified Internal Auditor, as well as a member of the Malaysian Institute of Accountants (MIA) and the Institute of Internal Auditors (IIA).

LYE KONG WEI

Group Head of Data Science Singaporean

Lye Kong Wei, male, 47, oversees the data teams working to improve AirAsia's operations through the use of data science, artificial intelligence and operations research.

Before joining AirAsia, Lye worked at Grab, a ride-sharing, logistics and e-payment company where he was the founding head of regional data science. There, he led five specialised data science teams that helped drive business metrics such as allocation rates, gross merchandise volume, cost reduction and transaction volumes through intelligent and optimised models and algorithms. In 2018, he helped to set up the Grab-National University of Singapore (NUS) AI Lab, the first of its kind for Grab and NUS.

Lye also spent six years as a research scientist at A*STAR, Singapore's national R&D agency, where he researched machine learning, forecasting, scheduling and optimisation. At A*STAR, he was also an officer in the Research Liaison Office that oversaw institute-wide policies in research collaboration, publications and publicity, science outreach, manpower development, and intellectual property. At the same time, he was an adjunct assistant professor with the School of Information Systems at Singapore Management University.

Lye received a First Class Honours degree from Nanyang Technological University, and MS PhD in machine learning from Carnegie Mellon University.

ELIAS VAFIADIS

Group Head of AirAsia Software Engineering and Technology (AASET) Greek

Elias Vafiadis, male, 38, oversees the development of airasia.com, the Group's mobile apps and airline solutions with the relevant teams in Kuala Lumpur, Singapore and Bengaluru.

He started his career in Microsoft as an International Project Engineer. He later moved to Expedia in 2010 as a Software Engineer, managing teams and working in their offices in Singapore, Seattle and San Francisco.

During his time in Expedia, Vafiadis' main focus was to work with and help globally distributed teams to streamline their operations and gain efficiencies. He also established services that power Expedia's Trip Attach business for the post-purchase cross-sell module.

His first encounter with AirAsia was to redesign the website for AirAsiaGo, AirAsia's joint venture with Expedia. This led him to take on a role in Singapore to build a fully-responsive transactional website for AirAsiaGo.

Vafiadis graduated with a Bachelor of Arts in Mathematics and Computer Science from Grinnell College, Iowa, in the US and a Master of Science in Information and Computer Sciences from the University of Hawaii.



SENIOR
MANAGEMENT TEAM



PASSION FOR PERFECTION

ESME LAW

Group Head of Investor Relations Malaysian

Esme Law, female, 39, joined AirAsia as the Group Head of Investor Relations in February 2017. Within two years, she managed to grow and diversify the institutional investor base significantly and doubled the shareholder base since taking over this portfolio. She has also brought in numerous large institutional funds that were new to equity investments in Malaysia from all over Europe, UK, US, Hong Kong, China, South Korea, Japan, Saudi Arabia and others as well as increased the local shareholdings by Malaysia's large institutions.

Her responsibilities also include building strong relationships with both buy-and sell-side investors, effective communication of information, providing AirAsia Group's analysis, valuation and insights to the investment community. She ensures investors have a clear and full understanding of the company's financial performance, business strategy, consolidated initiatives and future prospects so they can make informed decisions. She is also responsible for coordinating investor and shareholder meetings, investor conferences, roadshows, presentations to investors, issuing press releases on operating statistics and quarterly financial performance as well as organising Annual General Meetings, Extraordinary General Meetings and Court Convened Meetings.

Law graduated with a Master of Science from the London School of Economics, and holds a Bachelor of Commerce as well as a postgraduate diploma in several business majors. She returned to Malaysia and started her career as a management consultant in 2004. She has over 14 years of banking experience in structuring commercial and treasury products and has vast experience in selling banking products to retail banking, private banking and investment banking clients. Prior to joining AirAsia, she was the Vice President, Head of Sales and Structuring for Equity Derivatives, Global Markets at AmlInvestment Bank Berhad.

She is a member of the Malaysian Investor Relations Association (MIRA), and a license holder of the Securities Industry Development Corporation (SIDC) and the Asian Institute of Chartered Bankers (AICB).

ADAM GENEAVE

Group Head of Customer Happiness, Processes and Development Australian

Adam Geneave, male, 38, oversees our Customer Happiness teams including all voice and digital contact centres along with customer strategy, insights, systems and Product Development for AirAsia Group.

Geneave is a seasoned executive with an extensive background in commercial and operational leadership, including customer experience strategy, transformational programmes, product/process/systems design, and the development and delivery of high-performance teams.

Prior to joining AirAsia, Geneave was a member of the executive team reporting directly to the President and Managing Director of Wyndham Worldwide, the world's largest hospitality company with over 8,000 hotels and the world's largest vacation ownership programme. He led the transformation of Wyndham's customer experience strategy across

Asia Pacific, including the introduction of a next generation voice-of-customer platform to enable customer-led change across the business. He has also been instrumental in undertaking major revenue, product and service programmes at major airlines, including Virgin Australia and Qantas Group.

In 2017, Geneave was named Executive Service Hero by the Customer Service Institute of Australia (CSIA), while his team won Best Customer Service Team for Large Australian Businesses. He is a frequent conference speaker and member of mentoring programmes in both Australia and Asia.

Geneave is a Fellow of the Customer Service Institute of Australia and holds both a Masters degree in Aviation Management and an Airline Transport Pilots License.

ON



DETAILED AND DISCIPLI

TAN ENG ENG

Group Head of Internal Audit Malaysian

Tan Eng Eng, female, 46, is responsible for providing independent and objective assurance on the adequacy and effectiveness of the Group's overall system of internal controls, risk management and governance, reporting to the Audit Committee and the Group CEO.

Tan has 19 years of audit experience in various industries including financial institutions, manufacturing, automotive, construction, property and broadcasting. Prior to joining AirAsia, she led the Astro Group Corporate Assurance's Regional Operations and Special Projects team from 2008 to 2012. She was appointed as Group Head, Internal Audit on 2 January 2013. Externally, she was recently appointed as a member of the Audit Committee of the Malaysia Stadium Corporation (Perbadanan Stadium Malaysia).

Tan has a Bachelor of Arts (Hons) in Economics from the University of Malaya, and an MBA from the University of Strathclyde, UK. She is a member of the Association of Chartered Certified Accountants (ACCA) and the Institute of Internal Auditors Malaysia (IIAM).

JAGAN PERSATH

Group Head of Security Malaysian

Jagan Persath, male, 62, joined AirAsia in May 2007 and is Group Head of Security, responsible for Operations, Compliance and Enforcement Security.

He overlooks every aspect of corporate security, ensuring all the airlines within AirAsia Group comply with the legal requirements of their host states. This is achieved through sound corporate policy and standardisation of security practices, timely advice, effective security performance and counter measures to deal with potential threats to the airlines or our contractors. He was appointed as Group Head of Security on 1 January 2010.

Prior to joining AirAsia, Persath was with Malaysia Airlines Aviation Security from 1978 until 2006, responsible for operations, enforcement, compliance and standards, investigations, prosecution, audits, station set-ups and conducting security assessments on all routes. He is an ICAO Aviation Security Specialist and global subject matter expert on aviation security. Under his leadership, AirAsia has been licensed by the Civil Aviation Authority of Malaysia to conduct AVSEC courses. Our Security Department has also passed all international and national security audits conducted on AirAsia. Persath holds an LLB (Hons) from the UK and is a Barrister with Lincoln's Inn, London.

Declaration of Senior Management:

Family relationship

None of the Leadership Team has any family relationship with any other Director and/or major shareholder of AirAsia Group Berhad.

Conflict of Interest

None of the Senior Management Team has any conflict of interest with AirAsia Group Berhad.

Conviction for Offences

None of the Senior Management Team has been convicted for any public offence during the financial year ended 31 December 2018 or had any penalty imposed by the relevant regulatory bodies within the past 5 years, other than traffic offences, if any.

Other Directorship

None of the Senior Management Team has any other directorship in public companies.

NED

▶▶ AOC
CEOs

ALL- ASEAN ALLSTAN

RIAD ASMAT

AirAsia Malaysia Chief Executive Officer

Malaysian

Riad Asmat, male, 47, was appointed AirAsia Malaysia (AirAsia Berhad) Chief Executive Officer on 10 January 2018 and is responsible for the management of our operations in the country.

Riad is one of Malaysia's most respected young corporate leaders. He began his career in the Managing Director's Office for Proton Holdings Berhad, where he was responsible for supporting and coordinating key initiatives conceptualised by the managing director in improving overall performance of the group alongside key dimensions such as strategy, operations and finance.

In 2010, he switched gears when he was appointed Chief Executive Officer of Caterham Automotive. In this role, he established the Caterham F1 Team as well as Caterham Racing-GP2 which clinched numerous podium finishes including in Monaco and Singapore. Together with Arden Racing, Riad was also responsible for another supplementary programme and created a team that competed in the World Series by Renault, finishing second in the Constructors Championship 2012.

He then served as the Director for Corporate Planning, Strategy and Business Development of Naza Corporation Holdings Sdn Bhd from 2014 until 2017, before taking off to the skies with AirAsia.

Riad graduated with a Bachelor of Arts majoring in Public Relations and also holds a Master of Arts from the Western Michigan University Kalamazoo, Michigan, US.

TASSAPON BIJLEVELD

AirAsia Thailand Executive Chairman

Thai

Tassapon Bijleveld, male, 51, was appointed Executive Chairman of Asia Aviation Plc (AAV) and Thai AirAsia Co Ltd (TAA) in May 2018. He oversees executive policies for AirAsia Thailand in the interest of sustainable growth. He was also recently appointed AirAsia China and Indochina Chief Executive Officer, entrusted with supervising AirAsia's growth in these markets.

Prior to his appointment as AAV and TAA Executive Chairman, Bijleveld had been CEO of AirAsia Thailand since the company was established in 2003. In that role, he was responsible for overseeing all aspects of AirAsia's operations and growth in Thailand.

Before joining AirAsia Thailand, Bijleveld was Managing Director of Warner Music (Thailand) Co Ltd for five years. Within three years, he turned the company around positioning it at the top among international music companies in the country.

It was also at Warner Music where he met AirAsia Group Chief Executive Officer Tan Sri Tony Fernandes. Bijleveld took a leap of faith and decided to try his luck in the low-cost airline industry, which was still a new and revolutionary concept at the time. His can-do attitude and willingness to learn from scratch have led AirAsia Thailand to become the largest low-cost carrier in the country.

Prior to AirAsia, Bijleveld spent more than 12 years in the consumer product industry, working in various Asean countries for two Fortune 500 companies - Adams (Thailand) Co Ltd and Monsanto (Thailand) Co Ltd. He was among the pioneers at Monsanto, building it into a multi-million dollar business in just a few years. He began his career as an Assistant Product Manager in the confectionery division of Warner-Lambert Thailand Ltd, eventually becoming a Senior Product Manager with several posts in Asia.

Bijleveld is well-known for his leadership and team-building ability. His business philosophy emphasises the creation of synergies between all departments within the company. AirAsia Thailand's success is the result of a passionate, motivated team with strong rapport and can-do spirit.

Bijleveld holds a Master's degree in Marketing, and is currently a part-time lecturer in several leading universities in Thailand.

▶▶ AOC
CEOs

LEADING WITH INTEGRITY

SANTISUK KLONGCHAIYA

AirAsia Thailand Chief Executive Officer

Thai

Santisuk Klongchaiya, male, 53, is responsible for all operational aspects of AirAsia Thailand, contributing his vision and management and marketing acumen to steer the company towards stable and sustainable growth.

Klongchaiya served as Head of Commercial and Ancillary and Director at Thai AirAsia Co Ltd from 2007 to May 2018, when he was appointed CEO of AirAsia Thailand, replacing Tassapon Bijleveld who vacated the post to become Executive Chairman of AirAsia Thailand. Klongchaiya was concurrently named CEO of Asia Aviation Company Limited - the holding company that owns a majority stake in Thai AirAsia Co Ltd - after having been its director since 2011.

Having played a pivotal role in the airline's growth since its inception when low-cost carriers were still a novelty, Klongchaiya has applied his creativity and keen eye for opportunity to making AirAsia an eminent and trusted brand, eventually standing out from its peers in the aviation industry. He conceptualised the "Truly Low Fares, Trusted Quality" campaign to establish AirAsia Thailand as an airline that offers safety, punctuality and an extensive network of destinations in addition to affordable fares. The campaign set AirAsia Thailand apart as an airline of value, growing its loyalty and market share and helping to maintain its leadership position.

Prior to joining AirAsia, Klongchaiya was General Manager at Warner Music (Thailand) Co Ltd from 2000 to 2006, and Marketing Manager at Reebok Wongpaitoon Footwear Plc from 1996 to 2000.

Klongchaiya received a Master of Science in Marketing from Thammasat University and before that, graduated with a Bachelor of Business Administration with a major in Marketing from Assumption University (ABAC) - both in Thailand.

DENDY KURNIAWAN

AirAsia Indonesia Chief Executive Officer

Indonesian

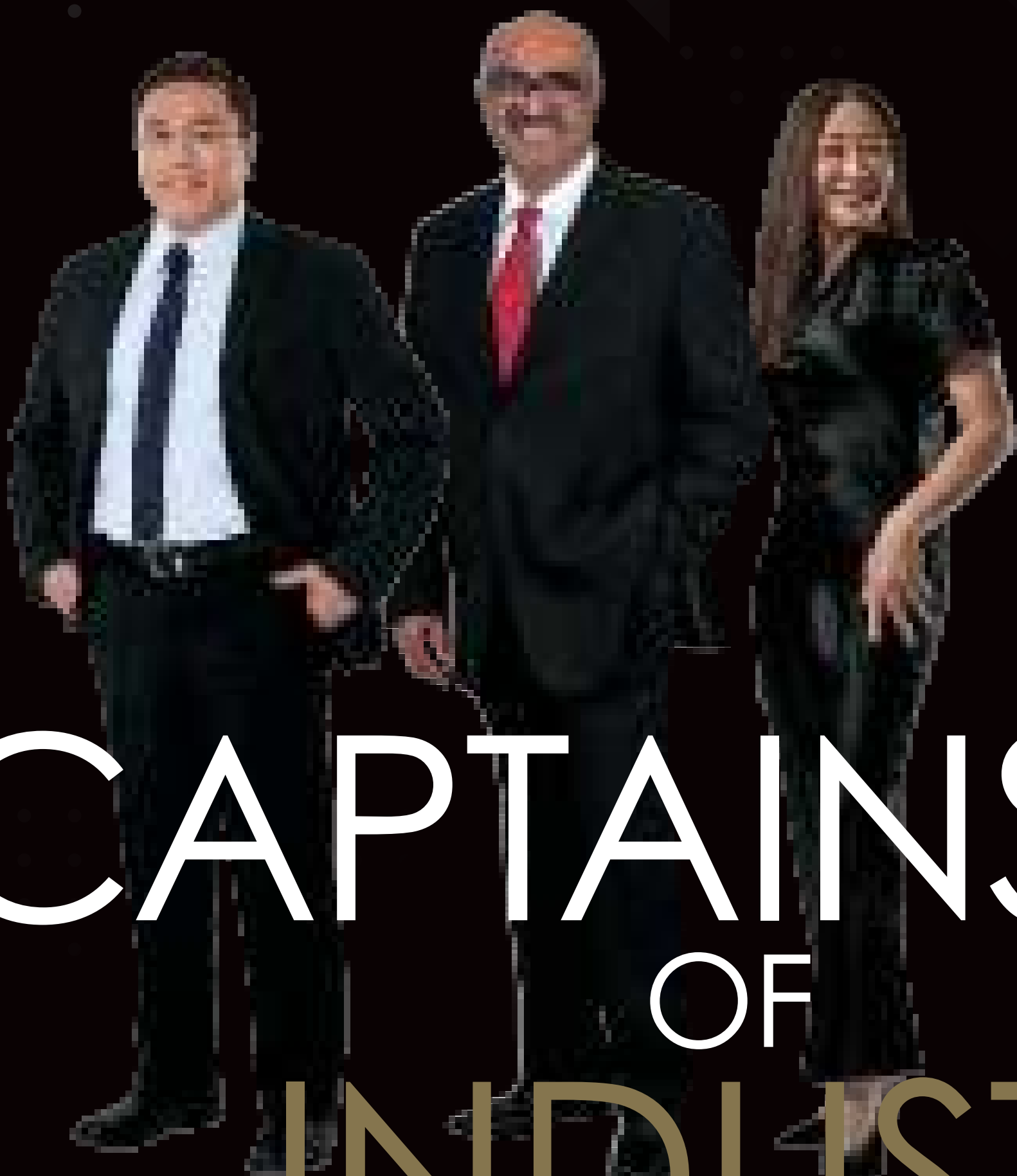
Dendy Kurniawan, male, 45, joined AirAsia as the Chief Financial Officer of AirAsia X Indonesia in May 2014. Following a promotion to its Chief Executive Officer in December 2014, he saw Indonesia's first long-haul low-cost airline launch its first flight to Taipei in January 2015.

In September 2016, Dendy was appointed as AirAsia Group Chief Executive Officer for Indonesia operations to oversee the growth and development of both AirAsia Indonesia and AirAsia X Indonesia. In addition to his responsibilities as Group Chief Executive Officer for Indonesia, Dendy also serves as the Chief Executive Officer of AirAsia Indonesia.

Dendy is a Fulbright Scholar, granted to pursue a Master of Arts in International & Development Economics at Yale University, the US, following a Bachelor's in Industrial Engineering from Institut Teknologi Bandung (ITB) in Indonesia.

Dendy's professional life started at the age of 23, when he took part in Indonesia's Economic Recovery Acceleration task force team as a monitoring expert after completing his Master's degree. In 2000, he was entrusted to serve as the Chief of Staff of a Special Advisory Team to Indonesia's Coordinating Minister of Economic Affairs before serving as an Expert Staff in a Special Advisory Team to the Indonesian Minister of Finance in 2001.

He then moved to the private sector with his appointment as a Commissioner of PT Indomobil Sukses International, a major Japanese automobile brand dealer in Indonesia. This was followed by several executive positions in the capital market industry. In 2009, the Indonesian Ministry of State-Owned Enterprises appointed him as Finance Director of state-owned energy company PT Geo Dipa Energi (Persero), which he helped to turn around before joining AirAsia.

▶▶ AOC
CEOsA photograph of three individuals, two men and one woman, standing side-by-side. They are all dressed in professional business attire. The man on the left is wearing a dark suit, white shirt, and dark tie. The man in the center is wearing a dark suit, white shirt, and a red tie. The woman on the right is wearing a dark, short-sleeved dress. They are all smiling slightly. The background is dark with some geometric patterns in the upper right corner.

CAPTAINS OF INDUST

**CAPTAIN DEXTER M
COMENDADOR****AirAsia Philippines
Chief Executive Officer****Filipino**

Captain Dexter M Comendador, male, 58, has over 35 years of experience in the aviation industry, serving as a combat pilot, flight commander and instructor pilot in the Philippine Air Force for 10 years before beginning his professional career as a commercial pilot in 1992.

A trailblazer and highly-decorated pilot, Captain Comendador is a cum laude graduate of the Philippine Military Academy and a recipient of 26 service medals, including two Gold Crosses for bravery and successful combat operations. In 1994, while serving as a flight systems engineer with a commercial legacy carrier, his crew landed an aircraft safely following a mid-flight bomb explosion, earning them commendations from then-Philippine President Fidel Ramos and inspiring stories of bravery, courage and professionalism in the international media.

Captain Comendador opted for early retirement in 2010 while serving as a chief pilot for safety and compliance at a local budget airline. Airlines and airplanes, however, are truly his first love and, after a short break, he took on a job overseas with a foreign legacy airline before joining AirAsia to launch its flight operations in the Philippines as Chief Pilot for Operations in December 2011.

Two years later, he was promoted to Director of Flight Operations and then Chief Operating Officer. He accepted the challenge to lead the Philippine team of AirAsia as interim Chief Executive Officer in July 2016, at a time when the airline was expanding its network to include several new routes from secondary hubs providing connectivity throughout Asean.

Captain Comendador was officially appointed Chief Executive Officer in January 2017, earning him the distinction of being the first flying pilot-CEO of an airline in the Philippines.

**SUNIL
BHASKARAN****AirAsia India Managing Director
and Chief Executive Officer****Indian**

Sunil Bhaskaran, male, 54, is a Tata Group veteran with a rich career spanning 30 years across various roles in Tata Steel and Tata International.

In his previous role as Vice President, Corporate Services at Tata Steel, Bhaskaran held a diverse portfolio, providing leadership for such functions as regulatory affairs, procurement, corporate communications and external relations, corporate social responsibility, corporate administration, security, medical services and aviation services, along with the administration of civic services at Jamshedpur.

Additionally, he was the Chairman of Tata Steels Global Wires Business, along with other Tata Steel subsidiaries, namely Jamshedpur Utilities and Services Company Limited (JUSCO), SIW (Thailand), TSN Wires (a joint venture in Thailand with Nichia Steel Wires, a direct affiliate of Nippon Steel Corporation) and Indian Steel & Wire Products.

Bhaskaran sits on the Global Advisory Board of Social Accountability International (SAI) New York, and is a former chairman of the Confederation of Indian Industry (CII), Jharkhand State Chapter.

He is also the founder Director of Jamshedpur Football Club in India's premier football league, Indian Super League, and a National Council member of the All India Management Association.

A chemical engineer from the Indian Institute of Technology Delhi and a management graduate from the Indian Institute of Management Calcutta, Bhaskaran is also an Alumni of CEDEP, located on the INSEAD campus in Fontainebleau, France.

**JENNY
WAKANA****AirAsia Japan
Chief Executive Officer****American**

Jenny Wakana, female, 39, contributed to the launch of AirAsia Japan as a consultant, acting as a bridge to the Group. She will continue to build on Group synergies to accelerate the growth of AirAsia Japan.

Jenny was previously our Group Head of Branding and Communications, working closely with Tan Sri Tony Fernandes in forming AirAsia Group's brand and communications strategy. During her tenure, AirAsia received multiple awards for successful brand campaigns. Jenny was also in charge of AirAsia's corporate culture as well as award-winning inflight magazine Travel360.

Prior to joining AirAsia, Jenny was Senior Director of International Communications at Coach, a multinational luxury fashion company headquartered in New York City. She was also an editor of the *Martha Stewart Living* magazine in Japan. Jenny graduated from Sophia University in Tokyo, Japan.

S

TRY



CAE employees dedicated to AirAsia

Captain Suresh Muthu Veeramuthu
Head of Pilot Training

Captain Tan Kark Seng
Head of Instructional Services

What should you expect from the perfect partnership? Start by looking at ours.

Since 2004, CAE has been AirAsia's pilot training partner of choice. But it's a union built on far more than business smarts, entrepreneurial ideas and industry-leading innovation. It's also about constantly teaming up to create new possibilities, explore opportunities and pioneer what's new and next in flight training. It's an initiative that's repeatedly resetting the bar on training standards, and with a ripple effect felt and followed worldwide.

AirAsia and CAE. Partners, passionate team players and a whole lot more.

Your worldwide
training partner
of choice



Committed to your success

We assemble teams with the right expertise to meet our clients' needs. We draw on the highest calibre of talent to overcome the most complex issues.

We deliver pragmatic, expert legal advice that is set in the real world.



Leading firm – Aviation finance
Chambers Asia Pacific 2019



Top tier – Asset finance
The Legal 500 Asia Pacific 2019

The cover features a solid olive green background. In the top-left corner, there is a triangular area with a repeating pattern of small, light-colored triangles. On the right side, a series of thin, light-colored concentric arcs curve from the top towards the bottom. In the bottom-right corner, there is a triangular area with a repeating pattern of larger, light-colored triangles.

PERFORMANCE REVIEW

Five-Year Financial Highlights	91
Ten-Year Revenue Highlights	92
Five-Year Financial & Operating Highlights	93
2018 Share Performance	95
Market Capitalisation	95



THINGS FOR THINKING ARE IN
HALF A BILLION

**#HALF
— A —
BILLION**



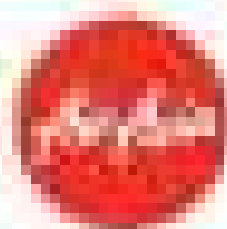
GET IT FLOWN



airasia.com

Now EveryOne Can Fly

airasia.com

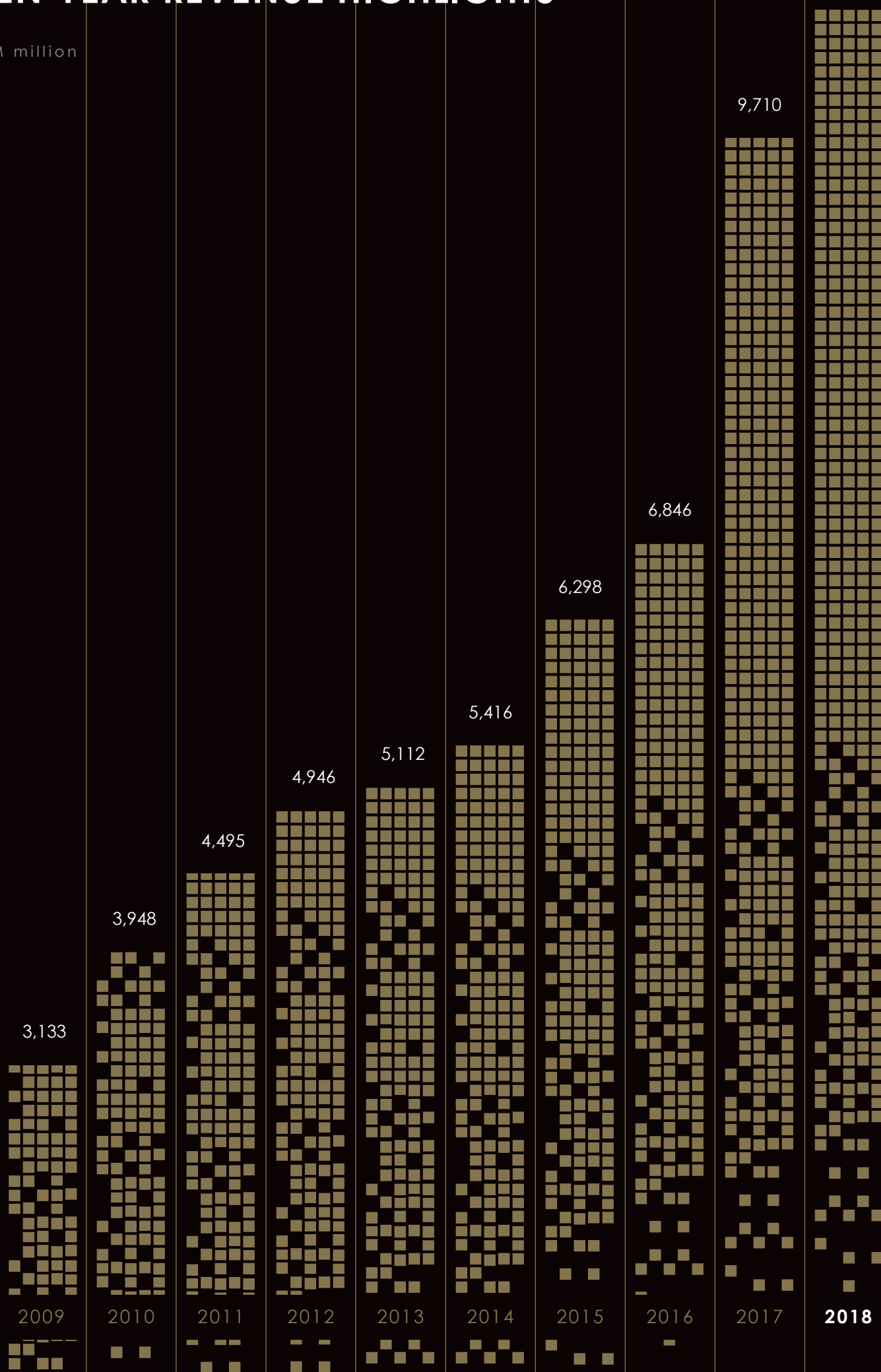


► FIVE-YEAR FINANCIAL HIGHLIGHTS

(RM million, unless otherwise stated)	2014	2015	2016 Restated	2017	2018
INCOME STATEMENT					
Revenue	5,416	6,298	6,846	9,710	10,638
Net total expenses	4,590	4,702	4,780	7,549	9,419
Operating profit	826	1,596	2,066	2,161	1,219
Profit before taxation	23	215	1,705	2,088	1,335
Taxation	60	326	-86	-516	360
Net profit	83	541	1,619	1,571	1,695
BALANCE SHEET					
Deposits, cash and bank balances	1,338	2,427	1,742	1,882	3,327
Total assets	20,664	21,316	21,986	21,674	18,550
Net asset (Total cash - Total debt)	-11,390	-10,186	-8,838	-7,426	287
Shareholders' equity	4,555	4,451	6,628	6,710	6,185
CASH FLOW STATEMENTS					
Cash flow from operating activities	302	2,204	2,167	2,154	353
Cash flow from investing activities	-2,154	-103	-642	-1,584	9,049
Cash flow from financing activities	1,779	-1,303	-2,433	-478	-8,087
Net cash flow	-73	798	-908	91	1,316
FINANCIAL PERFORMANCE (%)					
Return on total assets	0.4	2.5	7.4	7.3	9.1
Return on shareholders' equity	1.8	12.2	24.4	23.4	27.4
ROCE (EBIT/(Net debt + Equity))	5.2	10.9	13.4	17.0	30.0
Operating profit margin	15.3	25.3	30.2	22.3	11.5
Net profit margin	1.5	8.6	23.6	16.2	16.0
OPERATING STATISTICS					
Passengers carried	22,138,796	24,254,506	26,410,922	39,092,972	44,437,381
Capacity	28,073,160	30,079,666	30,282,671	44,435,006	52,536,954
Load factor (%)	79	81	87	88	85
RPK (million)	27,274	30,006	34,676	50,805	55,962
ASK (million)	34,590	37,408	40,086	58,311	66,261
Aircraft utilisation (hours per day)	12.3	12.4	12.4	12.6	13.3
Average fare (RM)	165	157	167	176	173
Revenue per ASK (sen)	13.36	14.2	14.19	15.13	14.71
Cost per ASK (sen)	12.76	12.21	11.27	13.13	14.80
Cost per ASK - excluding fuel (sen)	6.24	6.86	7.22	8.29	8.90
Revenue per ASK (USc)	4.07	3.60	3.43	3.53	3.64
Cost per ASK (USc)	3.89	3.10	2.72	3.07	3.67
Cost per ASK - excluding fuel (USc)	1.90	1.74	1.74	1.94	2.20
Number of stages	155,962	167,002	166,983	246,162	290,461
Average stage length (km)	1,217	1,247	1,316	1,290	1,253
Size of fleet at year end (Malaysia)	81	80	77	116	141
Size of fleet at year end (Group)	172	171	174	205	226
Number of employees at year end	6,304	6,636	7,615	12,404	18,122
Percentage revenue via internet (%)	84	70	72	70	76
RM-USD average exchange rate	3.28	3.94	4.14	4.28	4.04

► TEN-YEAR REVENUE HIGHLIGHTS

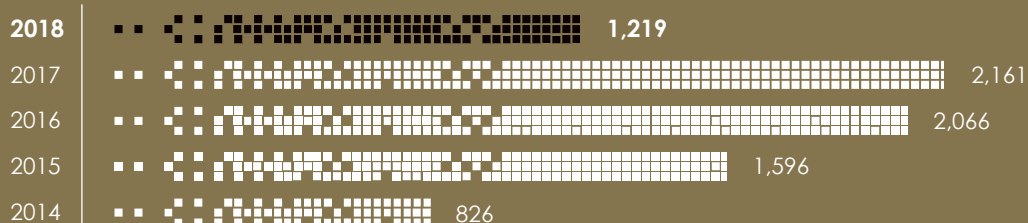
RM million



► FIVE-YEAR FINANCIAL & OPERATING HIGHLIGHTS

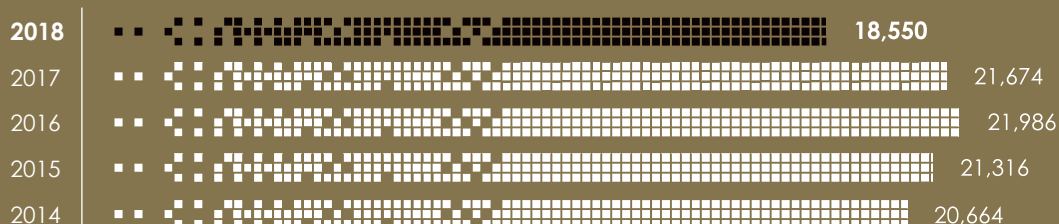
OPERATING PROFIT

RM million



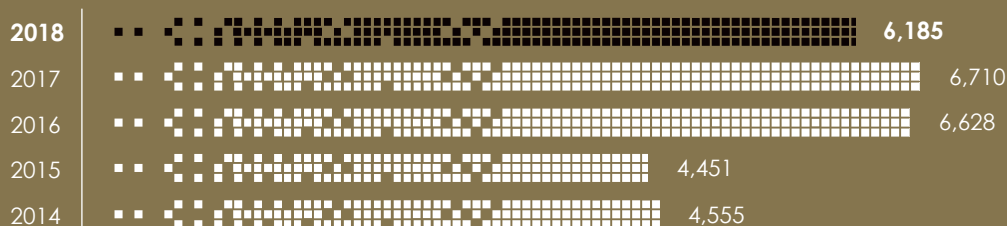
TOTAL ASSETS

RM million



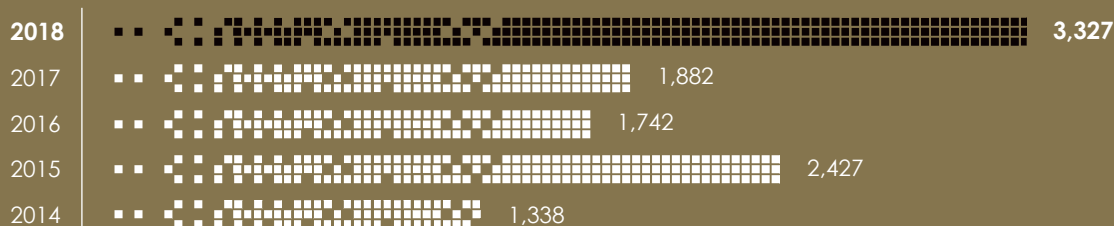
SHAREHOLDERS' EQUITY

RM million



DEPOSITS, CASH AND BANK BALANCES

RM million



FIVE-YEAR FINANCIAL & OPERATING HIGHLIGHTS

REVENUE PER ASK (RASK)

Sen



COST PER ASK (CASK)

Sen



PASSENGERS CARRIED

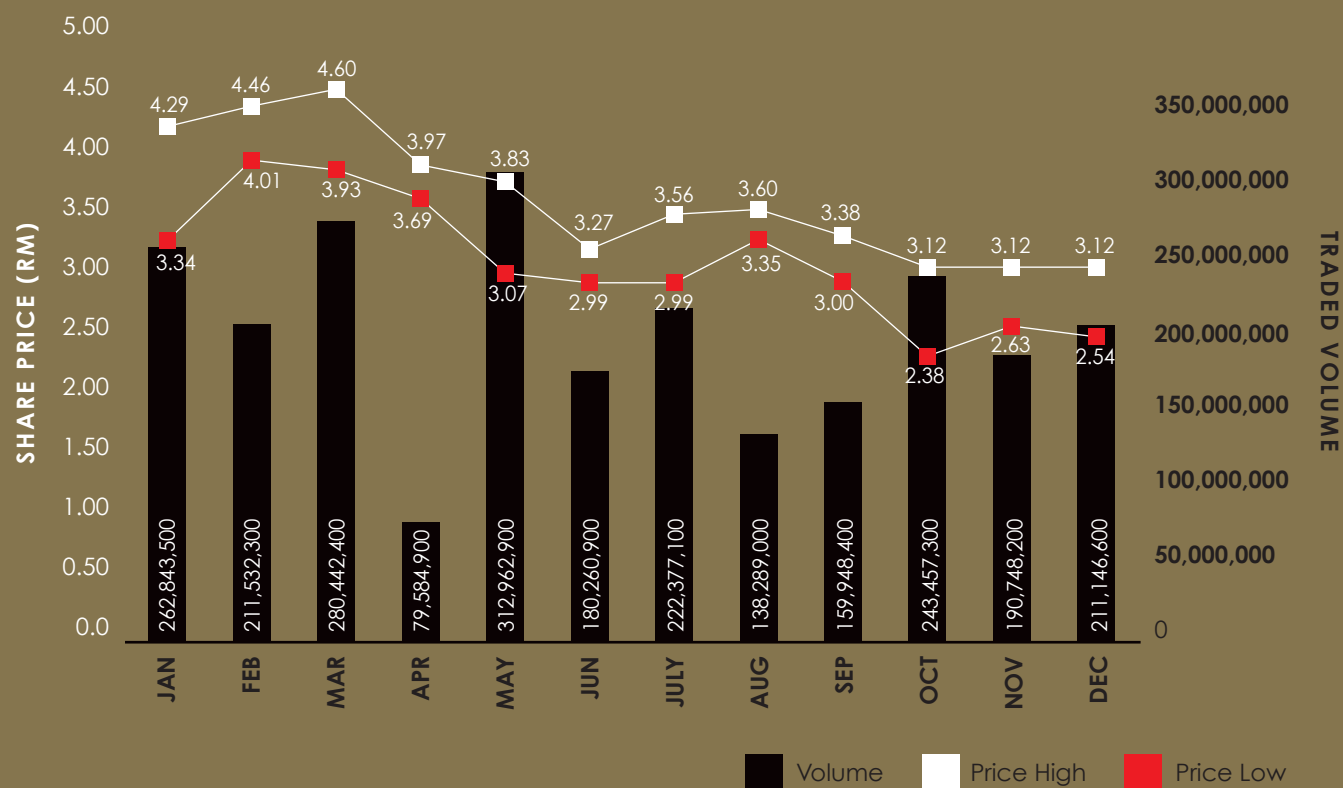


SIZE OF FLEET AT YEAR END

Aircraft



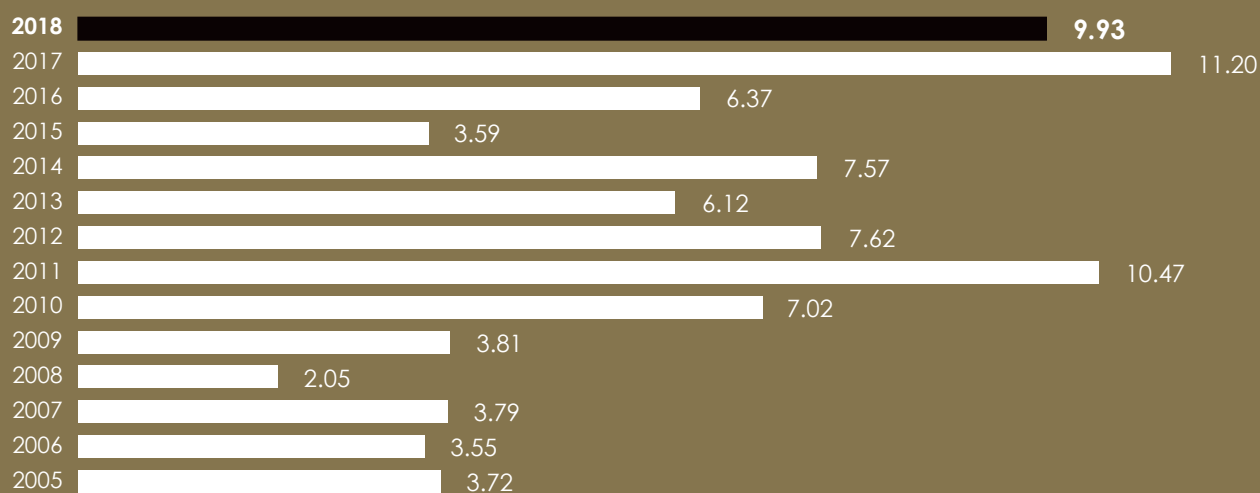
2018 SHARE PERFORMANCE



MARKET CAPITALISATION

(AS AT 31 DECEMBER OF RESPECTIVE YEARS)

RM BILLION



WE ASSIST YOU TO TRANSFORM INTO TECHNOLOGY ENHANCED BUSINESS



WE ARE PART OF YOUR
DIGITALISATION
JOURNEY

HIGH-QUALITY SPEED AFFORDABLE EFFICIENCY
IS WHAT WE VALUE



Borderless Geek
Get borderless

Borderless Geek is formed by a group of passionate individuals who believe that they have the right skills to help the business to transform into a successful digital business leveraging on the right technology to achieve its intended business objectives.

www.borderlessgeek.io

info@borderlessgeek.io

[borderlessgeek](#)

Making a difference in the digital transformation of airlines



At Minsait, we leave our mark on the airline sector through our digital transformation of services and solutions, revenue accounting and systems integration, boosting your direct sales, reaching new customers and channels, reducing your technology and operational costs, ultimately protecting and controlling your revenues.

360M passengers managed by our solutions

+20 countries in which our services operate

+25 global customers worldwide

IATA strategic partner, and the first NDC-Capable Level 3
European Company developing and integrating NDC projects

www.minsait.com

minsait

An Indra company

CHAMPIONING

DIGITAL

Google Cloud

ISAT 10th SKYTRAX WORLD AIRLINE AWARDS 2018

We are partnering with Google Cloud to harness the power of data, machine learning and artificial intelligence to enhance efficiency and create new business opportunities.

AirAsia has always been a pioneer of new technologies. As we embark on our digitalisation journey, we aim to transform into more than just an airline - from an air transport provider to a travel and financial platform company that just happens to operate an airline.

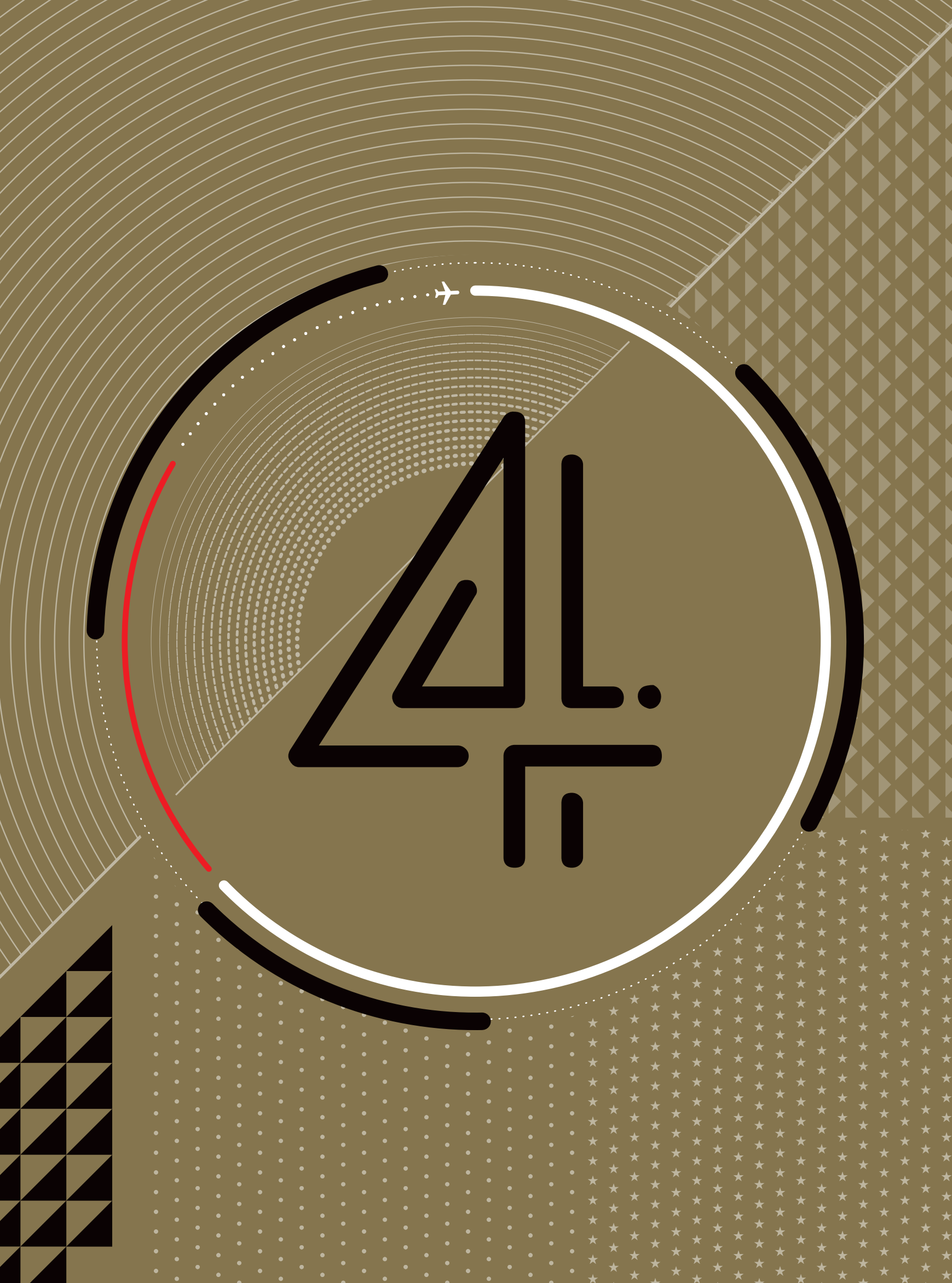
We launched FACES (Fast Airport Clearance Experience System), Malaysia's first airport biometric facial recognition system with self-boarding gate, at Senai International Airport, Johor Bahru.



PERSPECTIVE

Management Discussion & Analysis

102



4L.

► MANAGEMENT DISCUSSION & ANALYSIS

The year 2018 proved yet again AirAsia's strength in times of adversity. Airlines across the world faced what was without doubt a 'mini-crisis' due to the increase in fuel price, while here in Asia, we also had to contend with tsunamis, typhoons and volcanic eruptions in addition to a depreciation of local currencies against the US dollar. Additionally, in Malaysia, uncertainties following the general election affected travel. Yet, we continued to grow.

DATUK

KAMARUDIN

BIN MERANUN

MD

A portrait of Datuk Kamarudin Bin Meranun, a man with a red cap and a dark suit, sitting in a large, ornate wooden chair. The background is dark with a subtle geometric pattern of small triangles.

TAN SRI

TONY FERNANDES

A

With the delivery of 21 aircraft, AirAsia Group's available seat kilometre (ASK) increased by 17% and, hitting our full-year load target of 85%, flew 73.1 million guests – 15% more than we did in 2017 – to 147 destinations across Asia¹. In May, we celebrated a veritable milestone – flying over half a billion guests.



¹ AirAsia Group refers to all six AOCs, namely AirAsia operations in Malaysia, Thailand, Indonesia, the Philippines, India and Japan.

► MANAGEMENT DISCUSSION & ANALYSIS

▼ Revenue for the consolidated Group increased 10% year-on-year to RM10.64 billion, while our net profit grew 8% to RM1.70 billion.²

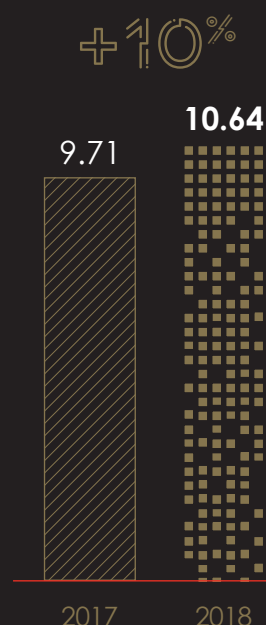
More importantly, though, we continued to build the momentum in four areas that are strategic to our long-term growth.

Ø In April, we completed an internal reorganisation to create AirAsia Group Berhad (AAGB), the first major step in our transformation to become One AirAsia. AAGB, which has taken over the listing status of AirAsia Berhad (AAB), comprises AirAsia Malaysia, AirAsia Indonesia and AirAsia Philippines. Despite not owning a majority in our airline operating companies (AOCs) in Indonesia and the Philippines, when reporting our financial performance we consolidate their results with that of AirAsia Malaysia. At the same time we have integrated the Treasury, Finance, Investor Relations, Legal, People and Procurement departments of all our AOCs, reducing much duplication in these functions as well as red tape. With our new commercial structure, we are more lean and focused. As we had envisioned, this is bringing us huge benefits in terms of greater efficiencies at lower cost.

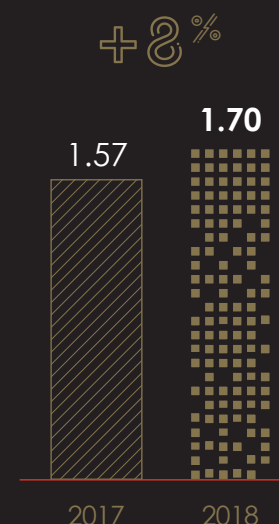
Ø Secondly, we pressed ahead with digitalisation initiatives that are seeing us morph into a travel and financial platform company. A key achievement towards this end was to bring together all our non-airline digital-based businesses – BIG Loyalty, BigPay, travel360.com, ROKKI, OURSHOP and RedCargo Logistics (covering first to last mile delivery) – into a single entity, RedBeat Ventures (RBV).

Going forward, we will develop airasia.com, which sees 46.7 million unique visitors per month and generated RM17 billion in sales in 2018 from flight bookings alone, into a strong digital lifestyle platform. Guests on airasia.com will be able to use BIG Loyalty points to make the most of deals for holidays and other travel lifestyle needs. This will be supported by BigPay, our fintech platform, which will serve essentially as a financial supermarket offering not just digital payments and competitive foreign exchange rates but also, soon, loans and remittances across Asean. Together, these two platforms will generate enormous revenue and valuation in the near future.

Revenue RM billion



Net Profit RM billion



To grow our digital platforms, we are setting up RBV as a global venture initiative and have entered into a strategic partnership with 500 Startups, a leading startup accelerator and venture capital firm based in San Francisco. Through this initiative and partnership we will be able to leverage ideas from innovative startups in the travel and lifestyle, logistics and fintech verticals.

Ø We also monetised even more assets to realise greater shareholder value. In last year's annual report, we had announced an agreement between our leasing arm Asia Aviation Capital Limited (AACL) and BBAM Limited Partnership (BBAM) for the exchange of various assets including aircraft and engines. This agreement panned out in phases during the year. In November, we concluded the sale of 79 aircraft and 14 engines to BBAM and received USD1,085.5 million net in proceeds. In December 2018, we entered into another agreement for the disposal of more aircraft, this time with US-based global private investment firm Castlake LP. The transaction with Castlake involves the sale of an additional 29 aircraft valued at USD768 million and is expected to be concluded in the second quarter of 2019. Given that aircraft are notoriously difficult to sell, especially individually, we are extremely pleased with the win-win deals made with BBAM and Castlake which have enabled us to lock in good prices for ageing aircraft while getting rid of residual risk. The aircraft disposals, moreover, support our vision of becoming an asset-light travel and financial platform company. In addition, the divestment of our remaining 25% equity in AirAsia Expedia, following an earlier 25% disposal back to Expedia in 2015, has injected a total of USD146 million into AirAsia, realising a return on investment of more than 10 times.

² Consolidated Group refers to the consolidated AOCs: Malaysia, Indonesia and Philippine units, PT Indonesia AirAsia and AirAsia Inc. Group of Companies (Philippines) results have been consolidated with AirAsia Berhad for financial reporting purposes in accordance with MFRS 10 since 1 January 2017.

Total Passengers Carried

44.44
million



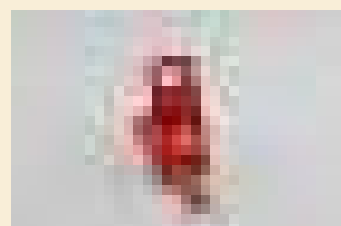
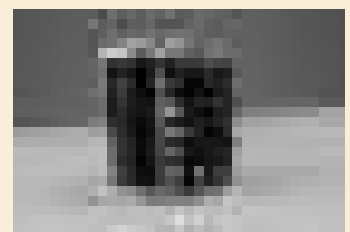
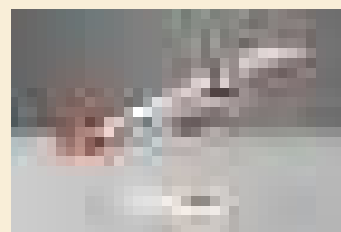
Ø Fourthly, we won some precious ground in our ongoing battle for low-cost carrier terminals (LCCTs) in Malaysia, with the Finance Minister agreeing to build an LCCT in Penang. This is positive indication of the government's recognition that we require a different airport model to cater for the needs of low-cost airlines and budget travellers, who make up a majority of travellers in this region. The government's more recent proposal to impose a departure levy of RM20 per passenger flying to Asean countries and RM40 to other countries runs counter to acknowledgement of the need to keep costs down for budget travellers, but we believe ongoing dialogue with the relevant authorities will result in a positive outcome.

While it gave us immense satisfaction to have achieved all this in a year that was challenging, the icing on the cake was to maintain a high level of guest satisfaction even as we focused on streamlining and simplifying our operations to keep costs low. We do not believe in compromising on quality in anything we do, and were validated in our efforts by winning our 10th consecutive World's Best Low-Cost Airline award from Skytrax. To win the vote of millions of travellers – 10 years in a row – means a great deal. To all who have flown AirAsia and given us your thumbs up, thank you. Rest assured that pleasing you will remain one of our top priorities. In fact, our mantra in year 2019 is to be 'guest-obsessed'.

As always, our achievements have been the direct result of our most valuable assets, the real stars of AirAsia – our people. Our Allstars are the cogs and wheels of this entire machinery that is building physical and digital bridges as we enable more and more people across Asia to fly. It is their hard work and passion that have kept us growing from year to year, overcoming obstacles and making the most of opportunities. We take our hats off to our 18,122 Allstars. Recognising and valuing their contributions, we have always supported our people in every way we can, and will continue to do so.

FINANCIAL REVIEW

For the financial year ended 31 December 2018, AAGB's revenue increased by 10% to RM10.64 billion from RM9.71 billion in 2017. This was driven primarily by an 18% increase in capacity enabling a 14% increase in number of guests carried to 44.44 million. Although our enhanced capacity led to a slight decrease in average fare from RM176 in 2017 to RM173, this was more than compensated for by a 7% increase in ancillary revenue to total RM2.06 billion. As of 2018, we have stopped reporting on ancillary per pax, and are instead focused on total ancillary revenue as several ancillary businesses such as RedBox (courier) and RedCargo Logistics (cargo) are not related to guests' spendings. RedCargo grossed over RM200 million in revenue and is on track to double up by the end of 2019. We seek, moreover, to expand the product portfolio of our new e-commerce business, OURSHOP, to include non-duty free products that can be purchased online by anyone, including non-AirAsia guests.



» MANAGEMENT DISCUSSION & ANALYSIS

Our full-year operating profit decreased by 44% to RM1.22 billion from RM2.16 billion in 2017 due to increased fuel and one-off expenses as well as changes in accounting from owning to leasing aircraft towards the second half of 2018. The BBAM transaction included professional fees of RM167 million, re-recognition of RM29 million for depreciation of five unsold aircraft and accretion of RM65 million in finance cost tied to the assets sold. Due to the hike in fuel price, and 3% dip in average stage length of flights, our overall cost per available seat kilometre (CASK) including fuel increased by 12% to 14.80 sen. CASK excluding fuel was 8.90 sen, 7% higher than in 2017, attributed to pilot salaries and the cost of talent retention in support of the Group's continuous growth. RASK decreased by 3% to 14.71 sen due to lower average fares.

Aircraft utilisation is now 13 hours a day for the entire Group as we continue to focus on effective route planning and sector management.



Cash Flow & Debt

We ended 2018 with a stronger cash position of RM3.33 billion. We generated RM353.1 million in net cash from operating activities compared to RM2.15 billion in 2017. Net cash flow increased substantially to RM1.32 billion from RM39.90 million in 2017 as a result of disposal of assets. Our net assets stood at RM6.19 billion, and we reported net cash of RM287.5 million in comparison to net debt of RM7.43 billion in 2017. This was primarily attributed to the sale of assets enabling us to repay RM7,422.73 million in borrowings, while also substantially improving our net gearing to zero from 1.11 times as at end 2017. However, upon becoming effective in 2019, IFRS16 will normalise the Group's gearing.

Meanwhile, to mitigate the company's exposure to fuel price risks, currency risks and interest rate risks, we hedged approximately 52% of AAGB's fuel consumption requirement for 2019 at USD79 per barrel, about 69% of AAGB's USD currency risk, and 100% of our interest rate risks. For the year 2018, the US dollar to ringgit exchange rate averaged 4.0369.



Capital Expenditure

In line with our expansion plans, the Group took delivery of 21 new aircraft in 2018, of which 11 were Airbus A320neo and 10 were Airbus A320ceo. These aircraft were financed primarily through sale and leaseback agreements for tenures between six and 12 years. We also returned two Airbus A320ceo aircraft that were on lease to AirAsia Philippines via third-party lessors, sold one Airbus A320ceo and sourced two additional Airbus A320neo and one Airbus A320ceo aircraft from operating lessors' portfolios.

Our aim in 2019 is to receive 27 new aircraft - five Airbus A320neo, four Airbus A321neo, four Airbus A320ceo plus 14 aircraft sourced from lessors - while retiring two aircraft on third-party lease. This will result in a net fleet increase of 25 aircraft for the year.

Dividend Policy

AAGB is continuing with AAB's policy of paying an annual dividend of up to 20% of our net operating profit (as per our audited financial statements), rounded to the nearest whole sen, provided this would not be detrimental to our cash flow requirements. For the financial year 2018, we have paid two rounds of interim single tier dividends of 12 sen per share each as well as a special dividend of 40 sen per share from the sale of 79 aircraft and 14 engines under AACL. We have committed to biennial special dividends from the monetisation of non-core assets. The total dividend paid in 2018 was 64 sen per share, representing a 21.5% yield based on the share closing price of RM2.97 as at 31 December 2018.

EXPANSION INTO THE REGION

AirAsia has expanded very rapidly within Asean and greater Asia. We are driven to provide the best possible connectivity in and out of as well as within Asean, and continue to look for ways to connect all the dots to serve the 650 million people who live in this region we call home.

Vietnam represents a strategic bastion for AirAsia given its large population comprising the fastest growing middle income group in the region. With an AOC here, we will effectively cover all population-dense cities in Asean while connecting guests to north Asia, enabling them to fly to destinations in China, South Korea and Japan.

Although we were looking into the possibility of opening up in China, we believe our outlying post in Japan, together with one to be opened in Vietnam, will provide sufficient coverage to create skybridges across north Asia. We already serve 19 airports in China and intend to remain the most influential foreign airline in the country, with support from a team based in our wholly foreign-owned entity (WFOE) in Guangzhou. This team will serve our needs until the time is right to set up an associate in this significant market. Meanwhile, we will continue to train our focus on our Asean stronghold where there is still huge opportunity for further growth for many years to come.

AIRASIA - A DIGITAL COMPANY

Digitalisation at AirAsia is driven by the dual considerations of reducing costs and increasing revenue. At the same time, it enhances the guest experience.

There are two aspects of our digitalisation journey. First is end-to-end digitalisation of our airline operations, from our systems and processes to the way we interact with our guests and other stakeholders. We were the first airline to offer internet bookings in Asean and one of the first in the region to engage our guests on social media.

During the year itself, we achieved another notable win in the use of digital technologies for a better guest experience. Following the success of FACES in Senai, Johor Bahru, in early 2019, we rolled out the facial recognition system in Avalon (our new airport base in Melbourne) and the airport in Kuching to facilitate the boarding process. In the near future, we expect all our guests to enjoy the convenience of boarding flights using facial biometrics, eliminating the need to show their passports.

The second way in which we are digitalising involves building new digital verticals using the incredibly rich data base we have accumulated. Unlike tech unicorns that have to spend huge sums of money to gain customers, we are able to funnel the more than half a billion guests who have flown with us into our digital businesses. *Please refer to the sections on 'Ancillary' and 'The Future' below for more information on this.*

We have entered into various partnerships to help transform into a truly digital airline. To revolutionise the way we work, we are collaborating with Google Cloud to integrate machine learning and artificial intelligence (ML/ AI) into every aspect of our business and culture. Our Digital and Data team will work with Google Cloud engineers on specific business scenarios to gain a solid foundation in enhancing our predictive ability in sales and marketing, as well as asset management.

We have also engaged California-based Palantir Technologies, which specialises in big data analysis, as our data science partner. On 9 August 2018, we signed a five-year partnership under which Palantir will collaborate with us to enhance our guest experience, ancillary and in-flight sales, route revenue, procurement and inventory management, finance management as well as flight and cargo operations. This partnership will help us build guest-obsessed data-backed models, provide visibility and improve efficiency across our operations.

Ultimately, our digitalisation journey will help us drive down costs through process efficiencies while increasing revenue through new verticals as well as more targeted, personalised marketing based on data collected from guests' previous purchases.



► MANAGEMENT DISCUSSION & ANALYSIS

ANCILLARY

We made significant progress in our ancillary business, with the consolidated Group reporting RM2.06 billion in total revenue, which was 7% more than the RM1.93 billion in 2017. A highlight was setting up a new Group-wide digital cargo platform, RedCargo Logistics, through which we aim to play a bigger role in e-commerce. Baggage remains our key ancillary performer, making up 48% of total ancillary revenue, while each of Duty Free, Seat and Fly-Thru reported double-digit growth from 2017. Our six short-haul AOCs achieved RM3.09 billion in ancillary revenue, marking an 11% increase from 2017.

Ancillary performance is being driven by data and digital initiatives which are increasing the uptake of the different products and services. This will further improve as we add on hotels, tours, insurance and all sorts of other lifestyle products and services onto the airasia.com platform.

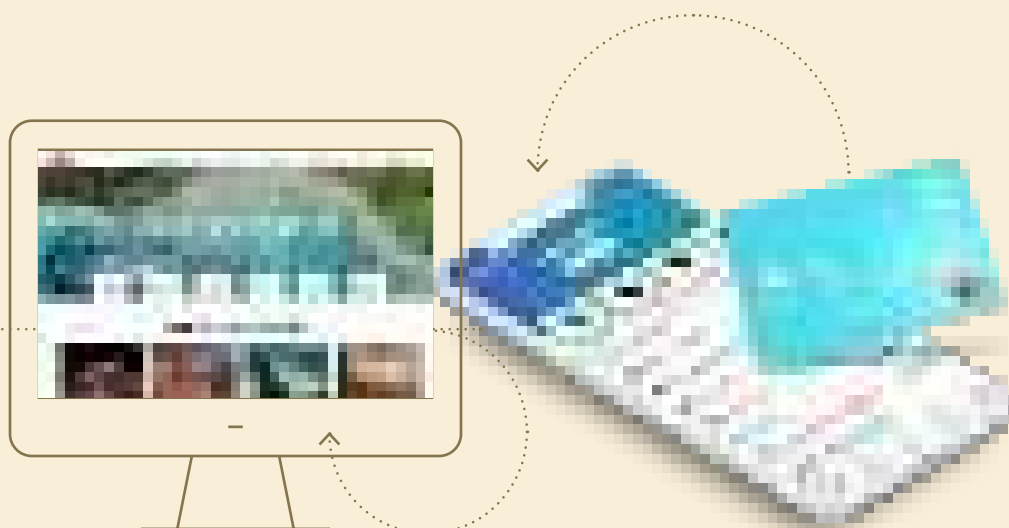
Going forward, the entire ancillary business is being re-structured focusing on the three verticals of core, inflight and partner products in line with AirAsia's new cluster structure. This cluster structure aims at better managing each route's profitability, including profits from ancillary. With new products, better and more integrated technologies as well as a more effective structure, we expect to grow our ancillary revenue by another 8%-10% in 2019.

THE FUTURE

We see the future as being about building our adjacency businesses and integrating them into our two platforms - airasia.com, our travel and lifestyle platform; and BigPay, our financial platform.

The potential of airasia.com is enormous, as we will be able to sell an incredible range of lifestyle products and services, with BIG Members using their BIG Points as a form of currency. Every dollar spent on this platform, moreover, will allow guests to accumulate even more points, creating customer stickiness. Additionally, AirAsia cards with banks will allow guests to spend on their card, collect BIG Points while enjoying special travel benefits and privileges as cardholders. These points can then be used to redeem anything across our platforms.

As of 2 April 2019, when an upgraded version of our portal was launched, it has incorporated OURSHOP, our online retail business; and tours and activities deals by Vidi. Even more products and services will be added as airasia.com continues to evolve.



Meanwhile, BigPay is now one of the fastest growing fintech companies in Malaysia with over half a million sign ups since it was launched in January 2018. We will soon be rolling out BigPay commercially in Singapore and other Asean countries.

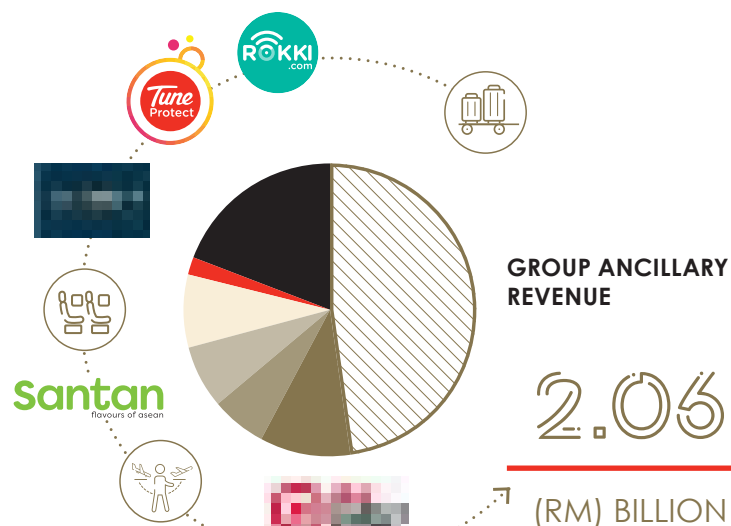
Of our other adjacency businesses, Ground Team Red Holdings (GTRH), our 50:50 joint venture with Singapore's SATS Limited, launched an Airport Control Centre in klia2 which will help digitalise a number of our on-ground functions. T&Co has developed the first premier Asean-blend drip coffee to be served in-flight, and will be focusing on more Asean brews to promote regional coffee growers. We will also soon have our own Santan cafe set up to fulfill increasing demand for Asian cuisines.



On the logistics side of the business, RedCargo entered into a strategic partnership with TASCORH as well as GD Express Carrier Berhad to facilitate trade and e-commerce fulfilment within Asean and across key trade lanes passing through Asia, and we will continue to align with regional partners looking to disrupt the logistics space. As for first and last mile delivery, we set up RedBox and signed a partnership on 8 November 2018 with Shopee, an online merchant covering East Malaysia.

In December, the Group's digital-based ventures BIG Loyalty, BigPay, Vidi, RedCargo Logistics, ROKKI, OURSHOP, travel360.com and RedTix were brought together under the newly set up RBV. RBV embodies AirAsia's passion for open innovation and entrepreneurship, complementing our vision of becoming a global travel and financial platform company, working with technology startups and looking out for investment opportunities in the high-tech and digital space. It will comprise three main verticals, namely travel and lifestyle, logistics and fintech.

With all these new setups, we are poised for good ancillary revenue growth going forward.



RISK MANAGEMENT & MITIGATION

The aviation industry necessarily encompasses a high level of safety, operational and financial risks. We are fully aware of these and have in place systems to monitor and manage them. Our risk management and mitigation framework is reviewed regularly to ensure the highest level of safety for our Allstars and guests.

Safety Risk

As our most critical risk, safety is given utmost priority. While we have a safety management framework, we recognise that to maintain the highest standards of safety, we need to instil a culture in which everyone is aware of his/her responsibility and takes all the necessary steps to ensure self-safety as well as the safety of colleagues and our guests.

We continuously review and update our safety policies to reflect global best practices. This year, with the formation of AirAsia Group, the safety committees of all AOCs collaborated to formulate a new Group Safety Policy which will be rolled out in 2019. Meanwhile, progress was made with regard to International Air Transport Association (IATA) Operational Safety Audit (IOSA) compliance. It is with pleasure to share that our Indonesian associate was registered under IOSA in August, followed by Malaysia in September. All the other AOCs are expected to follow suit in early 2019.

To be better prepared for emergencies, this year we signed an agreement with the International Federation of Red Cross and Red Crescent Societies (IFRC) under which IFRC will provide training in areas such as first aid, psychosocial therapy for victims of trauma, emergency response and rescue work.

Operational Risks

Our operations are continuously defended by active monitoring and upgrading of standard operating procedures Group-wide to minimise the risk of disruptions. Our most significant operational risks are system outages and supply chain disruptions. To mitigate these risks, we have readied plans and continuously evaluate them for effectiveness. Such plans include an IT Emergency Response Plan, a complementary Group Operational Response Plan and numerous incident-specific business continuity plans.

Financial Risks

As an airline with operations based in multiple countries, our financial risks are centred on fuel price fluctuations and foreign currency exposures. We remain committed to managing these through strategic hedging.

MANAGEMENT DISCUSSION & ANALYSIS

SUSTAINABILITY

Risk management is integral to our sustainability, as is also the ability to adhere to our low-cost business model. As mentioned, the formation of One AirAsia has been inspired not only to realise our vision of becoming a truly Asean airline, but also to create better operational and cost efficiencies. While the process of streamlining and simplifying our operations is ongoing, we are also further developing our social and environmental programmes to deliver better outcomes.

Going Greener

Last year, we mentioned our allegiance to the Carbon Offsetting & Reduction Scheme for International Aviation (CORSIA). This year, we have implemented a carbon dashboard to monitor the carbon emissions of all our domestic and international flights. This allows us to determine our emissions baseline for the year 2019-2020, and work towards carbon-neutral growth from year 2020 onwards. Further enhancing our environmental performance, we are in the process of rolling out an Environmental Management System (EMS) Group-wide. This will create a common platform for all environmental matters, standardising our monitoring processes for more effective performance management.

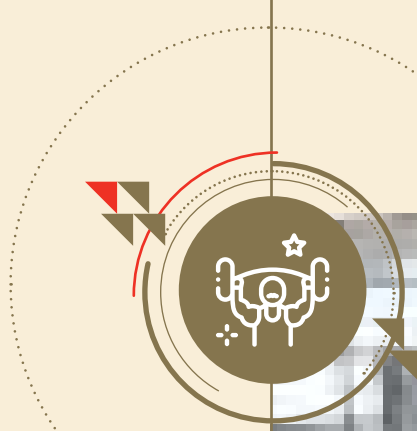


People First

'People First' is one of six Allstar Values launched in 2018 to remind everyone at AirAsia of what we stand for. This value underlines our commitment to caring for our people – not just Allstars but also our guests and the community at large. It is a value we demonstrate in the way we manage our people, and one we expect our Allstars to exhibit in their interactions with colleagues, our guests and the public.

Recognising that any investment in our Allstars is ultimately investment in AirAsia, we have always encouraged their professional growth and provided opportunities for them to realise their dreams. In July, we launched a blended learning programme enabling Allstars to acquire and sharpen their management, leadership and digital skills in their own time and pace. We also encourage high flyers to fast-track their careers by undertaking the MBA programme offered by the Asia School of Business. In April, we felt like proud parents when our first cohort of four MBA participants graduated from the 18-month programme.





Other than competency development, we see our mandate as keeping our Allstars happy. Our headquarters in Kuala Lumpur was designed with them in mind, the idea being to offer a workspace that inspires creativity and encourages collaboration. Since moving here, we have kept equipping our new home with more Allstar-friendly facilities. In 2018, we opened a daycare centre and a Physio Lab. Guided by the wisdom of age, in 2019 our focus will be on promoting mental, financial and physical well-being through a holistic OneHealth programme. It is by no means easy to keep more than 20,000 Allstars across AirAsia and AirAsia X Groups representing more than 60 nationalities happy, but I believe we are on the right track. We are very likely the only airline in the world to have managed to maintain the culture we started off with, via open communication and no unions.

We exist for our guests, and keep looking for ways to please them. Flying over 80 million guests a year, together with our sister AirAsia X Group, however, has its challenges. As the saying goes, you can't please all of the people all of the time. But we certainly try our very best. All complaints received are noted, analysed and used to help us build a better airline. Being the World's Best Low-Cost Airline is an accomplishment, but we want to be as good as the best full-economy carriers, and will be guided in our journey by our Net Promoter Scores (NPS). As we continue to digitalise our services and understand our guests better through data mining, we will make great headway in this regard. Being guest-obsessed will make more people more likely to fly with us. This has been our pledge from Day 1, and we are definitely going to pull out all the stops to see it happen. By 2020, we aim to offer a 'frictionless customer experience'.



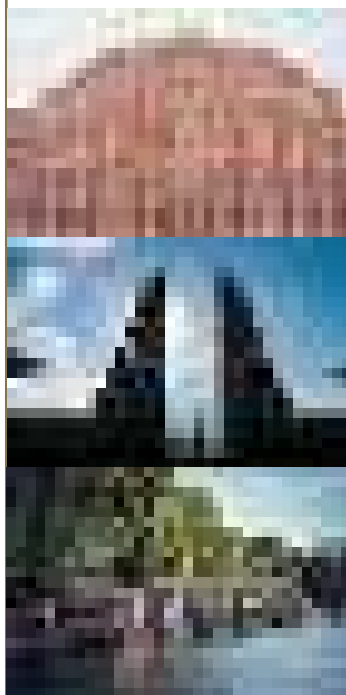
Serving the community – enabling everyone to fly – is part of our DNA. However, we go beyond this service pledge to champion various social causes through our foundation as well as corporate partnerships. While continuing to support the work of the National Cancer Council of Malaysia (MAKNA), we have also joined (RED)'s network of business partners in a commitment to fight AIDS. In 2018, part of the proceeds from our Mega Sale promotion was channelled to the Global Fund to support HIV/AIDS programmes in the Asia Pacific region. This will be followed by other fund-raising activities in 2019. We believe that by preventing AIDS we will also be contributing to the prevention of drug abuse while combatting a multitude of other illicit activities from petty crime to human trafficking.

MANAGEMENT DISCUSSION & ANALYSIS

OUTLOOK

We are very pleased with progress made in 2018 towards becoming a truly Asean travel and financial platform company serving the needs of the people of this region. We believe we are now in a better position not only to enable everyone in the region to fly but also to enjoy a more digital lifestyle. We have always bucked the trend, but in the past our focus was simply to break down barriers in the travel space. Today, as we build our digital businesses under RBV, we are breaking new ground in an entirely new, digital domain. No other traditional airline has created vertical businesses the way we have; and, once again, many are sceptical of our vision. That is because mindsets, like habits, are hard to change. At AirAsia, however, change is very much part of our DNA and we believe we are on the cusp of something very exciting.

In building our airline business, we are ramping up the Group's narrow-body fleet to 500 aircraft over the space of 10 years, from 224 aircraft at end 2018. In 2019 itself, we will be welcoming a net of 25 aircraft – 13 for India, five for Indonesia, three for the Philippines, two for Malaysia and one each for Japan and Thailand. The bulk of these aircraft will be the Airbus A320neo with a few Airbus A321neo, both boasting greater fuel efficiency. The Airbus A321neo are scheduled for delivery towards the later half of 2019. With these new aircraft we will further expand the route networks of all AOCs, opening up more and more exciting destinations for people of Asean and beyond.



In 2019, our Indian AOC will meet the 20-aircraft criteria for international flights, and we expect our associate to make the most of the opportunity to start establishing routes linking the vast subcontinent with Asean. We are also confident of starting up operations in Vietnam, deepening our network in Indochina.

RBV will be on the active lookout for opportunities to build even more digital verticals, further developing AirAsia as a travel and financial platform company. As we mentor and provide funds for new businesses in the travel and hospitality sector, we will be able to inject more innovation into the digital platforms that we offer our guests and others.

While building our business, we will continue to be not just people-focused, but people-obsessed. We believe happy Allstars means happy guests and, in turn, a healthy business. Of course, this is a highly simplified formula, but it contains the time-held and tested truth that in the service industry, you've just got to make people happy. On a personal note, both of us feel incredibly blessed to be able to run a business that is extremely rewarding and that we enjoy tremendously. Nothing makes us more happy than to see AirAsia make the travel dreams of millions of people come true. Nothing gives us more satisfaction than to see our Allstars realise their professional ambitions. Our people mean the world to us, and we hope – with AirAsia – to open the world to them.

EXPLORE AIRASIA'S PLAYGROUND

TAKE AN INSIDER'S VIEW OF AIRASIA'S GROWING MARKET IN CHINA

airasia.com

More. Smarter. Sooner. The Way.

© 2012 AirAsia Berhad

airasia

airasia



POWERED BY



TRAVEL HARD ROAM HARDER

ACROSS 23 COUNTRIES *

Introducing



TRAVELLER
SIM CARD

POWERED BY



4GB HIGH SPEED
INTERNET

7 DAYS
VALIDITY

THE RED PACK

ROAM ACROSS
16 COUNTRIES



THE BLACK PACK

ROAM ACROSS
7 COUNTRIES



* Terms & Conditions apply.

Tune Talk Sdn Bhd (72097-V)

For more info, visit tunetalk.com/traveller

TUNE

Hotel KLIA2



Need a shower?

Say No to greasy hair, stinky breath.



Long transit?

Free cuppa & meal from us.



Why sleep less?

Sleep in & skip the queue with
VIP immigration fast track pass & VIP check-in



Treat yourself to our sweet packages at Tune Hotel KLIA2. Rooms incl. add-ons from RM99*. Just a 7 min walk from KLIA2 arrivals.

Book now at tunehotels.com or call +603 8787 1720 / 28

Up to 15% OFF


Promo code: TUNEFLYERS

*Terms and conditions apply.



CHAMPIONING

THE RE



AirAsia is the
only airline that
flies to all 10 Asean
member states.

..... We are proud to be a truly Asean
airline with established operations in
Malaysia, Thailand, Indonesia and the
Philippines, as well as India and Japan. We
are proud to champion Asean, a dynamic
region that boasts a population of 650 million
people and is home to some of the world's
fastest-growing economies.

We make it a priority
to hire within Asean,
believing in the strength
and potential of the
region's talented and
innovative youth.



BUSINESS REVIEW

AirAsia Malaysia	120
AirAsia Thailand	124
AirAsia Indonesia	128
AirAsia Philippines	132
AirAsia India	136
AirAsia Japan	140
AirAsia X	144
Ancillary	148
Social Media	152
Digital & Data	154
Adjacency Businesses	156



» BUSINESS REVIEW

KEY FACTS



TOTAL PASSENGERS
CARRIED

32.3
MILLION



TOTAL FLEET

95

NETWORK

ROUTES

115

FLIGHTS / WEEK

2,183

UNIQUE ROUTES

55

DESTINATIONS

74

COUNTRIES SERVED

18

ALLSTARS

6,426

HUBS

5

NEW ROUTES IN 2018

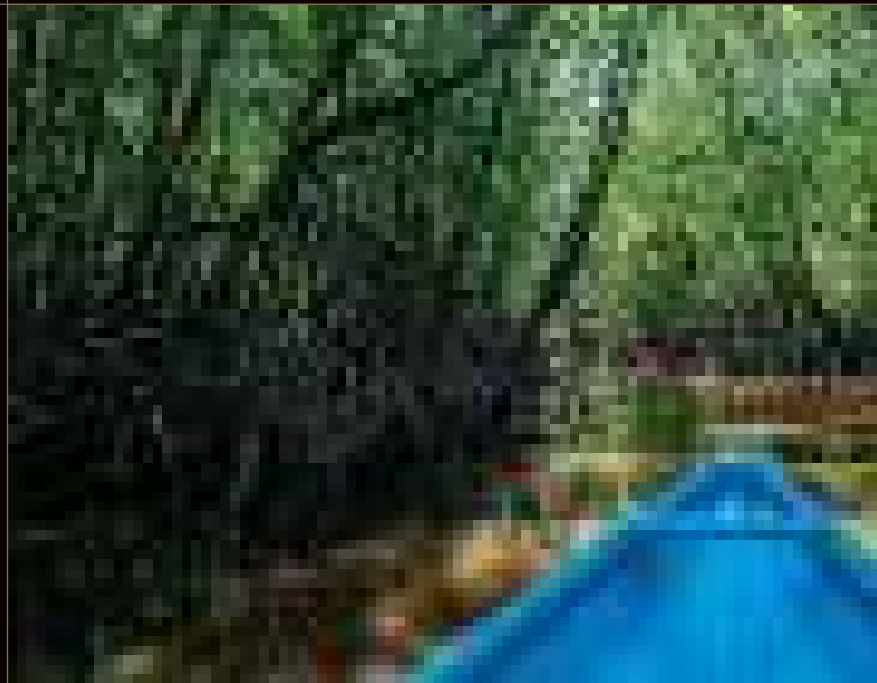
12

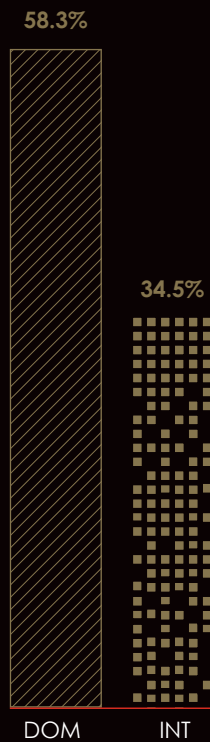
Notes

1. Number of passengers carried, load factor, number of Allstars, network and total fleet are as at 31 December 2018.
2. Source of market share: Paxis, based on number of passengers from January to December 2018. Market share refers to AirAsia Group's short-haul market share in Malaysia.

AIRASIA

MALAYSIA

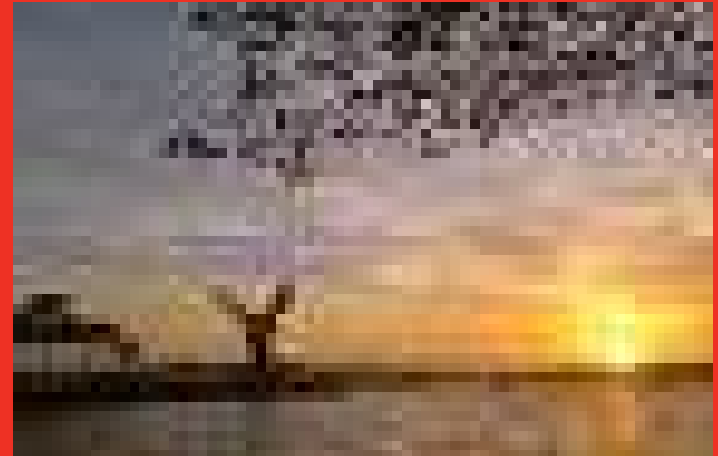


MARKET
SHARETOTAL MARKET
SHARE

42.7%

LOAD FACTOR

85%

ANOTHER RECORD-
BREAKING YEAR

It was a momentous year for AirAsia Malaysia, which saw an 11% increase in total number of guests carried to hit 32.3 million, eclipsing the country's population.

Always ground-breaking, always flying with ideas, AirAsia Malaysia continued to score many firsts during the year, but none perhaps as exciting for guests as the launch of facial recognition technology to ease the boarding process. In February 2018, the technology, fully owned and operated by AirAsia and aptly called FACES (standing for Fast Airport Clearance Experience System), was launched at Senai International Airport, Johor Bahru. In September, it was officially recognised by the Malaysia Book of Records as the first system of its kind in the country. In fact, it is the first in Asia.



» AIRASIA MALAYSIA

This is the second Malaysia Book of Records entry for AirAsia Malaysia, the first being in 2014, when it was recognised as the First Airline to Provide Wi-Fi On-Board in Malaysia with ROKKI. Four years on, in November 2018, ROKKI was recognised at the Inflight Asia Pacific Awards for delivering the best inflight entertainment and connectivity (IFEC) experience by an airline serving Asia Pacific. Most satisfyingly, our airline beat a number of full-service carriers – such as Singapore Airlines, Qatar Airways, Saudia, El Al Israel Airlines and SriLankan Airlines – for the honour.

FACES and ROKKI are just two examples of initiatives at AirAsia Malaysia aligned with the Group's overall direction to become a travel and financial platform company. The idea is to create as seamless and convenient a guest experience as possible. That the initiatives are appreciated can be seen in the litany of awards received based on guests' votes. The most special during the year was being named the World's Best Low-Cost Airline by Skytrax for the 10th year in a row. The momentous occasion was celebrated not just in Kuala Lumpur but, in One AirAsia style, across the Group's offices in Bangkok, Jakarta, Manila and Nagoya, with a special live interactive show broadcast on AirAsia's Facebook page.

Other than digital services, AirAsia is a fast favourite among local and international travellers because of the sheer size of our network. Our Malaysia operations, being our first and still by far the largest, dominates this network with 115 routes to 73 destinations. During the year itself, AirAsia Malaysia added 12 new routes, many connecting its secondary hubs – ie Kota Kinabalu, Penang, Johor Bahru and Kuching – with domestic and regional destinations. As always, the airline continued to seek to create demand by opening up first-ever routes, and this year achieved its mission via six new unique routes, including Kuala Lumpur-Hua Hin, Kuala Lumpur-Phu Quoc and Kota Kinabalu-Macao.

AIRASIA IS A FAST FAVOURITE AMONG LOCAL AND INTERNATIONAL TRAVELLERS BECAUSE OF THE SHEER SIZE OF OUR NETWORK.



At the same time, it increased the frequency of flights on popular routes such as Kuala Lumpur-Bangkok, Kuala Lumpur-Kota Kinabalu and Penang-Singapore. The result was a 16% increase in capacity year-on-year and 12% rise in ASK, made possible by an 11-aircraft fleet expansion to total 95 at end 2018.

Although the increase in capacity was accompanied by a four percentage point decrease in load factor to 85%, aircraft utilisation remained strong at 14 hours per day. Robust operational performance, together with a 5% increase in ancillary revenue to RM1.49 billion, was reflected in a 12% increase in revenue to RM7.22 billion. Meanwhile, its cost per available seat kilometre (CASK) of 13.41 sen and CASK ex-fuel of 7.85 sen contributed to a net operating profit of RM881.42 million.



TOTAL NUMBER
OF GUESTS



All of this was achieved without any let up on safety. If anything, safety was given added prominence during the year as our flagship airline completed its International Air Transport Association (IATA) Operational Safety Audit (IOSA). In September, it became the third airline within the AirAsia Group to achieve IOSA accreditation, after AirAsia X and AirAsia Indonesia.

Going forward, AirAsia Malaysia has lots to look forward to. Travel within the region keeps increasing as more and more Asians are desiring to travel while an increasing number of foreign tourists seek to discover Asean and Asia. Recognising the need for low-cost carrier terminals to cater for budget travellers, the Government has agreed to set up a dedicated low-cost terminal in Penang by 2022. AirAsia already occupies 50% of the capacity at Penang International Airport, and would like to turn Penang into our northern Malaysia transit hub connecting Asean directly with the country's Pearl of the Orient.



CAPACITY
+15%



ASK
+12%



With increasing digitalisation plus various guest-obsessed initiatives, AirAsia Malaysia will capture an even larger base of both domestic and international air travel. In 2019, AirAsia Malaysia aims to further strengthen its position in the domestic market by increasing its market share from 58% currently to 60%. There are also plans to grow its position in the international sphere.

» BUSINESS REVIEW

KEY FACTS



TOTAL PASSENGERS
CARRIED

21.6
MILLION



TOTAL FLEET

62

NETWORK

ROUTES

97

FLIGHTS / WEEK

1,324

UNIQUE ROUTES

27

DESTINATIONS

66

COUNTRIES SERVED

14

ALLSTARS

5,399

HUBS

6

NEW ROUTES IN 2018

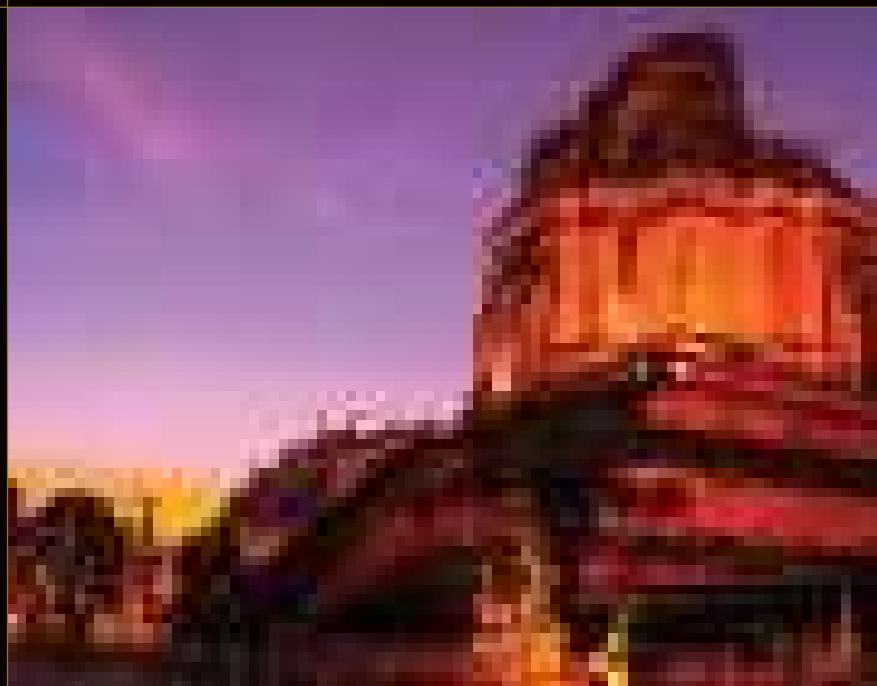
21

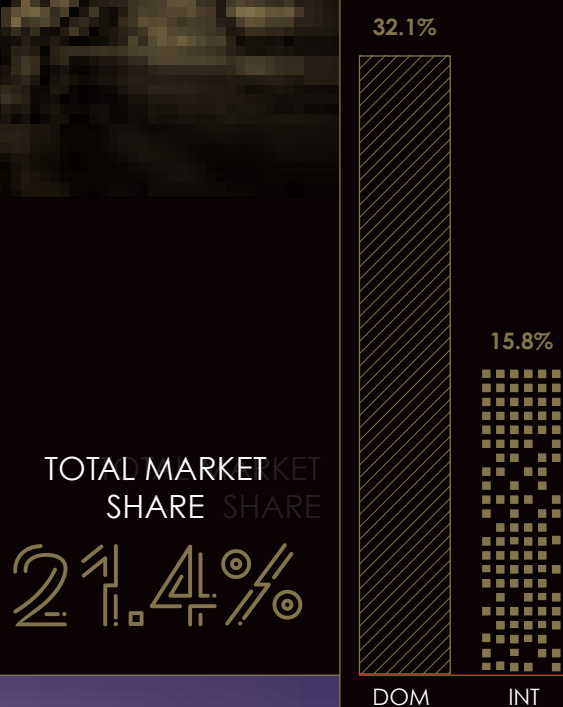
Notes

1. Number of passengers carried, load factor, number of Allstars, network and total fleet are as at 31 December 2018.
2. Source of market share: Paxis, based on number of passengers from January to December 2018. Market share refers to AirAsia Group's short-haul market share in Thailand.

AIRASIA

THAILAND



MARKET
SHARETOTAL MARKET
SHARE SHARE

21.4%

LOAD FACTOR

85%

TAKING THE PATH OF
ENLIGHTENMENT

Not many will have heard of the Indian town Gaya. Yet, in 2018, our Thai associate launched direct flights from Bangkok to this city in the north-eastern state of Bihar. Surprising for many, but not perhaps those who are Buddhist. Gaya's airport is the closest (just 10km away) to Bodhi Gaya, widely revered as the town where, sitting under a bodhi tree, Buddha was enlightened. With its new route, AirAsia Thailand has strategically linked two of the most important Buddhist centres in the world.

Gaya was just one of 21 new destinations included in our associate's network during the year, each carefully chosen based on demand, either existing or to be stimulated. With these, AirAsia Thailand now flies to a total of 66 destinations – 43 throughout Asia and 23 domestic – commanding 55% and 45% of the international and domestic in terms of revenue, respectively.



» AIRASIA THAILAND

ALREADY THE LEADING CARRIER DOMESTICALLY, AIRASIA THAILAND WILL WORK TO FURTHER STRENGTHEN ITS NETWORK TO INCREASE PROFITABILITY AND CAPTURE POTENTIAL SALES FROM OUTSIDE THE COUNTRY.

Welcoming six new aircraft over the course of the year to increase its fleet size to 62, AirAsia Thailand had ample opportunity to expand its network of skybridges, which is precisely what it did.

Other than Bangkok–Gaya, it launched flights from Bangkok to Bhubaneswar and Visakhapatnam in India; to Johor Bahru and Kota Kinabalu in Malaysia; as well as to Chengdu (China) and Colombo (Sri Lanka). New international flights from Phuket were to Macao and Kunming (China). From Chiang Mai, it launched new routes to Yangon (Myanmar), Taipei (Taiwan), Hanoi (Vietnam), Nanchang and Beijing (China). Meanwhile it also linked Krabi to Macao, Hong Kong and Chongqing (China); and Pattaya to Chengdu. These underline its current strategy of connecting to destinations in South Asia and Indochina not traditionally served by Thai airlines.

Domestically, AirAsia Thailand launched new routes from Bangkok to Ranong and Chumphon; from Chiang Mai to Udon Thani; and from Pattaya to Khon Kaen.

Further leveraging its new-found physical capacity, AirAsia Thailand also increased the frequency of existing routes, especially to secondary cities in the country, supporting the government's ambition to promote tourism in lesser-known destinations. These included flights from Bangkok to Buriram (the 'city of happiness' in Thailand's north-east) and the university town of Khon Kaen, also in the north-east. Catering to popular demand, meanwhile, it upped the frequency of flights from Chiang Mai to Macao as well as Bangkok to Da Nang in Vietnam.





Although its 11% increase in capacity led to a two percentage point drop in load factor to 85%, the total number of guests carried increased 9% from 19.82 million in 2017 to 21.57 million. This, together with a 13% year-on-year increase in ancillary revenue to THB7.13 billion, contributed to an 8% increase in revenue to THB38.90 billion. Although CASK increased by 4% to THB1.58 due to a significant increase in fuel price, CASK excluding fuel decreased by 5% as a result of cost containment. Our associate recorded a net profit after tax of THB127.5 million, while its EBIT and EBITDAR margins stood at 2% and 19% respectively.

These figures indicate that AirAsia Thailand remains a firm favourite among Thai travellers. The reasons aren't hard to see. Our associate has developed a very strong winning proposition combining an expansive route network with exemplary guest service (as touted in its promise 'Our care is in the details, because everyone matters') and relentless focus on safety. It is also good at communicating its winning proposition to travellers.

During the year, for example, it ran a successful marketing campaign called Unseen Caring through which it sought to create enlightenment on operational restrictions that had got some guests grumbling. Our associate explained how these are necessary in order to maintain safety standards as well as the quality of its service – without which it would not have been able to increase its on-time performance (OTP) from 83% in 2017 to 86% in 2018. The exercise proved successful, further enhancing AirAsia Thailand's image as well as guest loyalty.

Thailand's image itself was marred following the Phuket ferry incident in July involving Chinese tourists, leading to a drop in tourist arrivals – especially from China. However, the government's sincerity in its pledge to identify and rectify all security gaps, as well as a waiver on visa-on-arrival fees, achieved the intended goal; tourism began picking up again in the last quarter of the year. And the momentum has continued into 2019, with arrivals from China as well as India getting stronger by the day.

While our associate is intent on capturing its share of this tidal wave, it also seeks to further strengthen its foothold in Indochina, and especially Vietnam – one of the fastest growing economies in the world. Plans to secure its leadership in Vietnam and other Asean countries are based on introducing more destinations in these markets as well as increasing the frequency of flights to established routes. An overriding goal is to establish itself as the low-cost carrier with the most international routes out of Thailand.

Already the leading carrier domestically, AirAsia Thailand will work to further strengthen its network to increase profitability and capture potential sales from outside the country. With firm plans to grow its international branding, complemented with a devout Thai following, our associate looks set to enlighten even more travellers on the many splendours of Thailand as well as the markets within its expanding network.



ON-TIME
PERFORMANCE

86%



ANCILLARY REVENUE

+13%

» BUSINESS REVIEW

KEY FACTS



TOTAL PASSENGERS
CARRIED

5.23
MILLION



TOTAL FLEET

24

NETWORK

ROUTES

27

FLIGHTS / WEEK

456

UNIQUE ROUTES

3

DESTINATIONS

20

COUNTRIES SERVED

7

ALLSTARS

1,570

HUBS

4

NEW ROUTES IN 2018

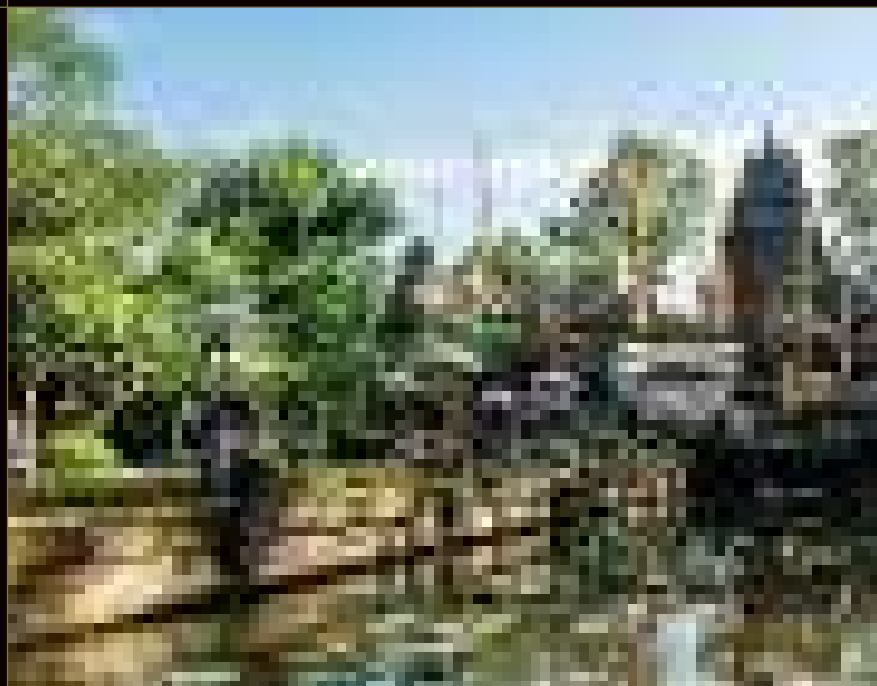
3

Notes

1. Number of passengers carried, load factor, number of Allstars, network and total fleet are as at 31 December 2018.
2. Source of market share: Paxis, based on number of passengers from January to December 2018. Market share refers to AirAsia Group's short-haul market share in Indonesia.

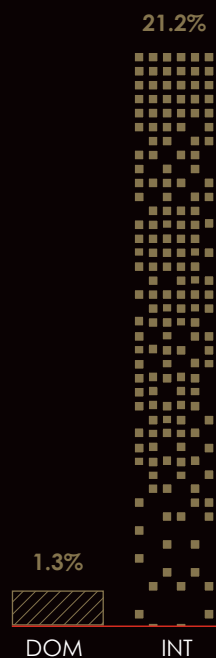
AIRASIA

INDONESIA



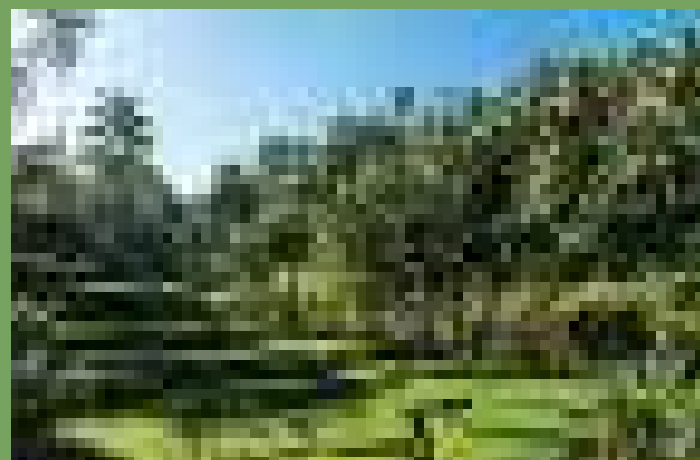
MARKET
SHARETOTAL MARKET
SHARE

6.2%



LOAD FACTOR

82%

OPERATIONALLY
SET TO GO

It was a very challenging year for our associate in Indonesia which, however, also demonstrated the team's incredible resilience. Just when tourism was beginning to wear off the effects of Mt Agung's volcanic activity towards end 2017, popular island destinations were hit by a series of tsunamis, earthquakes and floods beginning in the second half of 2018. At the national level, there were close to 2,000 natural disasters that claimed nearly 4,000 lives and displaced around three million people.

The global fuel price increase and depreciation of the rupiah against the greenback further dampened the aviation sector, the latter because most of AirAsia Indonesia's operating expenses are in USD, resulting in an erosion of margins.



» AIRASIA INDONESIA

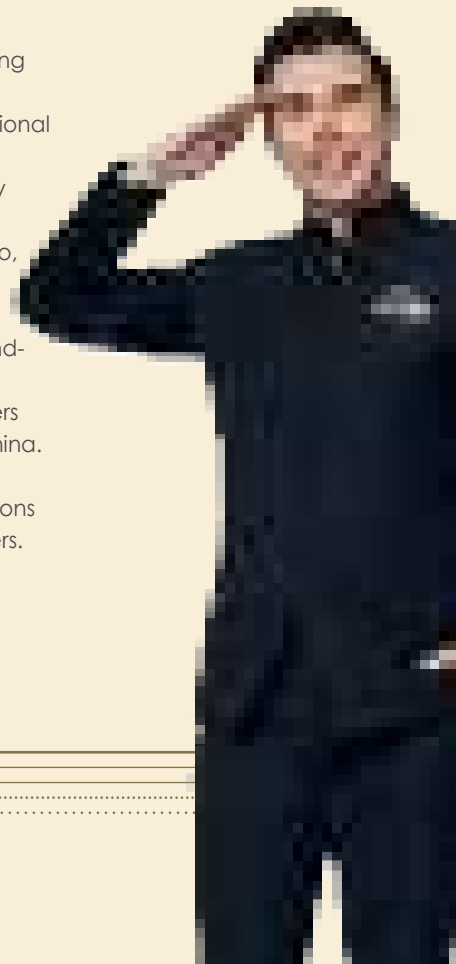
Yet, AirAsia Indonesia braved it all... in operationally impeccable style. Having undergone an initial public offering (IPO) at the tail end of 2017, much time and resources were devoted towards setting up the governance and functional structures required of a newly listed company. Within the year, it incorporated corporate secretarial and investor relations roles into its organisation as well as established an Audit and Remuneration Committee while formulating a set of Good Corporate Governance (GCG) guidelines, among others.

WITH ALL SYSTEMS IN PLACE, AIRASIA INDONESIA IS SET TO FURTHER INCREASE ITS GUEST NUMBERS BY ADDING EVEN MORE CAPACITY VIA THE LAUNCH OF NEW DESTINATIONS AND INCREASED FREQUENCY OF EXISTING ROUTES.

Much effort was also channelled towards ensuring it met all the requirements of the IATA Operational Safety Audit (IOSA), one of the most internationally recognised and accepted programmes designed to assess the operational management and control systems of an airline. The audit was completed in August and the certification received in November.

Another key operational focus was to enhance its on-time performance (OTP); and this too was achieved, with our associate's OTP increasing by eight percentage points to 73%. At the same time, leveraging the potential of nine added aircraft, which brought its total fleet size to 24 as at end 2018, AirAsia Indonesia introduced a new route, connecting Banda Aceh with Kuala Lumpur, while increasing the frequencies of three popular routes, two domestic and one international: Jakarta-Surabaya, Jakarta-Bali and Bandung-Kuala Lumpur. Of note, while capacity of the Jakarta-Surabaya route increased by 5%, the number of guests carried grew by 6%, indicating particularly strong demand.

Overall, our associate expanded its capacity (as measured by number of seats) by 16%, contributing to a 13% increase in number of guests carried to 5,238,022. Of this number, 2,463,303 were international travellers who comprised no less than 24% of the total number of foreign tourists visiting the country via air travel. Once again, our associate was the preferred airline for tourists visiting the archipelago, a position it maintains by investing in tourism campaigns – independently as well as with the government. In 2018 itself, it conducted a two-and-a-half month digital marketing campaign from mid-October till end December targeting travellers from Australia, Malaysia, Singapore, India and China. It also supported the government by organising familiarisation trips to various Indonesian destinations for local and international social media influencers.



A 1% increase in revenue per available seat kilometre (RASK) together with a 10% increase in ancillary revenue to IDR917.91 billion led to an 11% growth in revenue to IDR4,232.77 billion. Most encouragingly, these positive results were achieved while also maintaining its cost per available seat kilometre (CASK) excluding fuel at a low of 2.61 US cents – one of the lowest in the world. All the same, Indonesia recorded a net operating loss of IDR987.05 billion primarily due to fuel costs and the rupiah's devaluation.

With all systems in place, AirAsia Indonesia is set to further increase its guest numbers by adding even more capacity via the launch of new destinations and increased frequency of existing routes. In the pipeline are plans to open a new hub in Lombok and welcome up to five aircraft in 2019 as it expands its operations to this eastern gem. Along with increased capacity, our associate is embarking on more online as well as offline brand-building campaigns to make AirAsia a household name throughout the vast country.

Service quality will be another big focus area. This will receive a natural boost with the transfer of AirAsia Indonesia's international operations from Terminal 3 to Terminal 2 of Soekarno-Hatta International Airport in Jakarta, where its domestic operations are already based, as it will facilitate ease of Allstar as well as guest movement and flow, resulting in enhanced OTP. Adding to this, our associate will also be accelerating its digital transformation, leveraging data to understand its guests better and to develop more targeted, personalised marketing communication. More generally, it will be guided by its Net Promoter Score (NPS) to understand pain points and address these in order to deliver the best guest experience.

Despite the natural calamities, foreign tourist arrivals in Indonesia grew 12.6% in 2018 year-on-year, and the numbers can reasonably be expected to increase. With its strategies and plans in place, we expect AirAsia Indonesia to be flying in most of these visitors.



REVENUE

+11% 10%



TOTAL FLEET

24

» BUSINESS REVIEW

KEY FACTS



TOTAL PASSENGERS
CARRIED

6.26
MILLION



TOTAL FLEET

22

NETWORK

ROUTES

50

FLIGHTS / WEEK

499

UNIQUE ROUTES

8

DESTINATIONS

32

COUNTRIES SERVED

11

ALLSTARS

2,000

HUBS

4

NEW ROUTES IN 2018

14

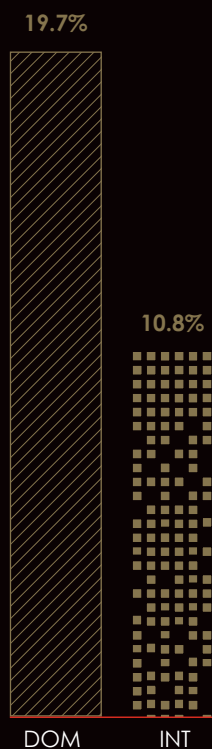
Notes

1. Number of passengers carried, load factor, number of Allstars, network and total fleet are as at 31 December 2018.
2. Source of market share: Paxis, based on number of passengers from January to December 2018. Market share refers to AirAsia Group's short-haul market share in the Philippines.

AIRASIA

PHILIPPINES



MARKET
SHARETOTAL MARKET
SHARE

15.6%

LOAD FACTOR

25%

BRINGING THE WORLD TO
THE PHILIPPINES

It was a sweet moment for our associate in the Philippines when it touched down at the new Bohol-Panglao International Airport on 27 November 2018. Six years ago, it was one of the first airlines to fly in medical supplies and aid to the island following its devastation by an earthquake. For a whole year after, it continued to provide special low fares to relief and rescue workers. Our associate further strengthened its ties with the local community in 2015 by becoming their official airline partner, along with becoming the official airline partner of several other lesser-known islands. Ever since, AirAsia Philippines has been promoting these islands through various campaigns.



» AIRASIA PHILIPPINES

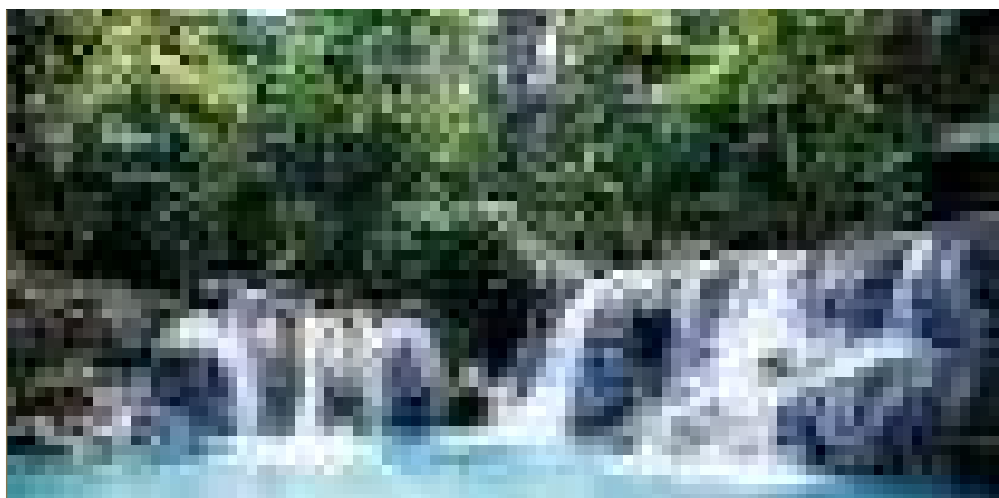
As a result of its efforts, beautiful Philippine islands which used to be off the tourism radar are now more conspicuous. Like Bohol, destinations such as Tacloban, Kalibo and Iloilo now roll off the international traveller's tongue almost as easily as do Boracay and El Nido. This certainly is a blessing, as the six-month closure of Boracay in 2018 would indicate. Although tourism to the Philippines was affected, the number of international visitors to the archipelago still exceeded that in 2017 by 7.7% to hit 7.1 million as visitors kept flocking to other beaches and natural attractions.

AirAsia Philippines was able to play a bigger role in serving these foreign visitors by welcoming five aircraft during the year, boosting both its capacity and route network. For the year, the total number of seats flown grew by 34%, while the total number of guests carried increased by a phenomenal 30% to 6,866,862, far exceeding the market's growth of about 10%. The impressive growth in guest numbers, in addition to a 39% increase in ancillary revenue totalling PHP3.88 billion, led to a 31% increase in revenue year-on-year to PHP20.90 billion compared to PHP16.0 billion in 2017. Despite operational growth, profitability was impacted by higher jet fuel costs and a volatile forex market. For the full year, AirAsia Philippines made a net operating loss of PHP2.02 billion.

With its added capacity, our associate served seven new destinations – six international and one domestic. New routes now connect Manila, Clark Air Base (Clark) and Cebu with Jakarta, Bangkok, Bali, Hangzhou, Kaohsiung and Shenzhen, making it easier for Asians to visit their easterly neighbour and to do so without having to stop over at Ninoy Aquino International Airport (NAIA).

Although only one domestic destination – Cagayan de Oro – was added to our associate's expanding network, it introduced no less than eight new domestic routes, four connecting this new destination in southern Philippines with Clark, Cebu, Iloilo and Manila. In addition to the new route from the former US air base to Cagayan de Oro, it is also connecting Clark with Iloilo, Puerto Princesa, Tacloban and Cebu domestically, and Taipei internationally.

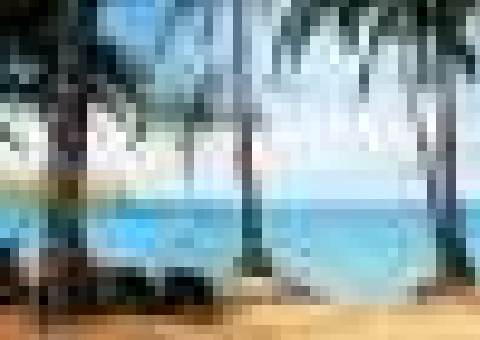
AirAsia Philippines' intense focus on connecting more and more internal destinations, especially secondary cities or hubs, saw it increase its domestic market share by four percentage points to 20%.



Various campaigns were organised to promote its new destinations and routes, but none perhaps that caught the imagination as much as the video inspired by 'Crazy Rich Asians' posted on Facebook in conjunction with the Red Hot sale. With clever lyrics to the catchy tune, and dance steps that prove Allstars definitely have got talent, the video went viral and was one of the most talked about online for a while.

While building more skybridges, AirAsia Philippines has also been laying the groundwork for its impending listing. Towards this end, it obtained the ISO 9001:2015 Quality Management Certification System, indicating world-class systems that support the delivery of consistently high standards in terms of products and service. It also reinforced its safety assurance by completing the IATA Operational Safety Audit (IOSA), its first international safety audit.

AIRASIA PHILIPPINES' INTENSE FOCUS ON CONNECTING MORE AND MORE INTERNAL DESTINATIONS, ESPECIALLY SECONDARY CITIES OR HUBS, SAW IT INCREASE ITS DOMESTIC MARKET SHARE BY FOUR PERCENTAGE POINTS TO 20%.



TOTAL NUMBER
OF GUESTS

+30%



DOMESTIC
MARKET SHARE

20%

In terms of products and service, guests this year would have been pleased with the introduction of more automation enabling auto bag drop and self-bag tag which ease the check-in process. Onboard, more aircraft now offer AirAsia's wifi service, ROKKI, enabling connectivity at 30,000 feet in the air.

Most impressively, all this was achieved in a year that was financially very challenging, given the sharp hike in fuel price as well as, for the Philippines, a 4.5% weakening of the peso against the US dollar year-on-year. While our associate's revenue increased no less than 31% to PHP20,909 million it made a net operating loss for the year, from being profitable in 2017.

Going forward, the potential for further expansion of its domestic and international networks is looking bright as the government is undertaking a comprehensive Build, Build, Build programme to develop, upgrade and/or rehabilitate no less than 28 airports throughout the country. Other than the airport in Bohol, in 2018

a new terminal was opened at Mactan Cebu International Airport; the Palawan International Airport was rehabilitated; and a smaller airport opened in San Vicente. Clark International Airport, too, is undergoing an expansion which is expected to be completed by June 2020.

In 2019, digital innovation at airports and the delivery of excellent service will be priorities. The Philippines is in a good position to become the next tourism powerhouse in Asean with new airports, hotels and resorts integral to the government's plan to bring in the numbers. For its part, our associate seeks to throw open the doors to the many splendours of the Philippines to others from the region and beyond. Its mission has been set, and with the tenacity that it has demonstrated over the last seven years, we have no doubt that AirAsia Philippines will secure a more prominent place for its beloved country on the regional and international maps.

» BUSINESS REVIEW

KEY FACTS



TOTAL PASSENGERS
CARRIED

6.23
MILLION



TOTAL FLEET

19

NETWORK

ROUTES

40

FLIGHTS / WEEK

497

UNIQUE ROUTES

0

DESTINATIONS

19

COUNTRIES SERVED

1

ALLSTARS

2,211

HUBS

3

NEW ROUTES IN 2018

15

Notes

1. Number of passengers carried, load factor, number of Allstars, network and total fleet are as at 31 December 2018.
2. Source of market share: Paxis, based on number of passengers from January to December 2018. Market share refers to AirAsia Group's short-haul market share in India.

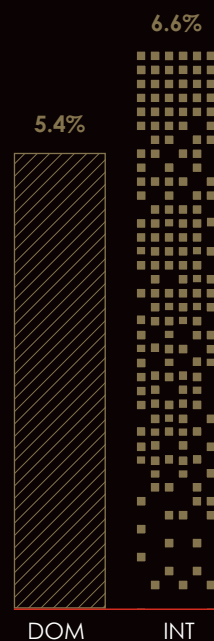
AIRASIA

INDIA



MARKET
SHARETOTAL MARKET
SHARE

5.6%



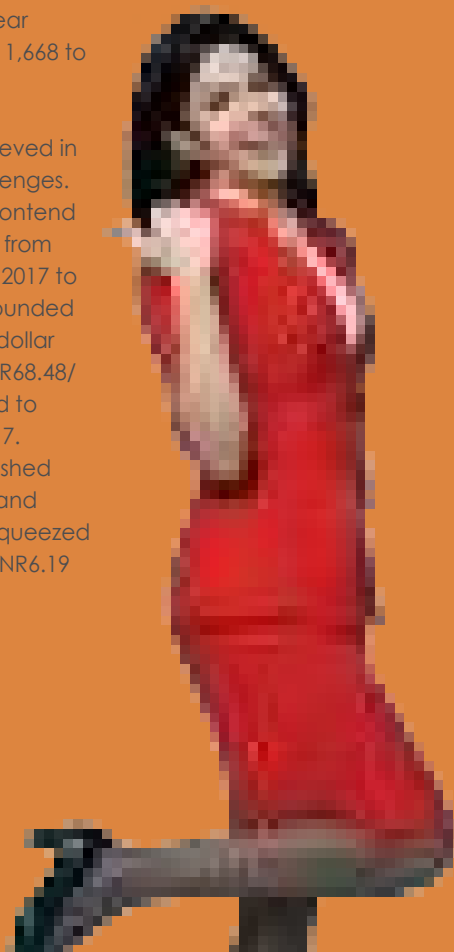
LOAD FACTOR

86%

PREPARING TO GO
INTERNATIONAL

It was another year of great expansion in India, where our associate welcomed five new aircraft, introduced two new destinations, and carried in excess of 6.8 million guests – 54% more than it did in 2017. To manage its increase in capacity, AirAsia India also beefed up its manpower, especially its cabin crew and pilots, leading to a substantial year-on-year increase in number of Allstars from 1,668 to 2,211.

More impressively, all this was achieved in the face of macroeconomic challenges. Financially, our associate had to contend with a 24.2% increase in fuel price, from an average of USD99 per barrel in 2017 to USD123 per barrel. This was compounded by further strengthening of the US dollar leading to an exchange rate of INR68.48/USD in October 2018, as compared to an average of INR64.93/USD in 2017. Combined with fares that were pushed down due to increased capacity and competition, profit margins were squeezed leading to a net operating loss of INR6.19 billion.



» AIRASIA INDIA

Conversely, in line with the airline's expansion, revenue increased by 45% to INR22.31 billion. This was further supplemented by ancillary revenue, which increased substantially to INR2.08 billion from INR604.84 million in 2017.

Although the increase in fuel price impacted its performance, it is a measure of our associate's strong relationship with business partners that, at least in Q3, it was able to negotiate extremely competitive prices with its vendors to achieve the same fuel cost per available seat kilometre (CASK) as the airline with the highest capacity, hence also highest negotiation clout. The low fares it was thus able to achieve allowed our associate to run a successful campaign to convert train and bus travellers to AirAsia guests!

Operationally, too, our associate is proving its mettle. Despite expanding its capacity and route network, it has been able to overcome an increasingly evident lack of aviation infrastructure in the country which is causing traffic congestion and technical delays to increase its on-time performance (OTP) from 80% in 2017 to 82% in 2018.



REVENUE

+45%



NEW DESTINATIONS
IN 2018

2

EVEN AS OUR ASSOCIATE HAS FOCUSED ON GROWING ITS NETWORK, ITS HEADCOUNT AND CAPACITY WHILE CONTAINING COSTS, IT HAS NOT FORGOTTEN THE CARDINAL AIRASIA RULE, NAMELY TO BE GUEST-OBSSESSED.





Several other achievements point to a team that is quickly maturing. Reducing cost, our AOC has started implementing electronic flight bags (EFB) and is the only airline in India to date allowed to conduct its Load and Trim calculations using the EFB. While the EFB replaces heavy manuals, hence reduces aircraft weight and fuel burn as well as printing costs, digitalisation of Load and Trim also reduces manpower costs. In line with the International Civil Aviation Organization (ICAO)'s recent mandate, AirAsia India has also launched a flight tracking system.

In addition, it is rapidly enhancing its resources to provide all necessary Allstar training as cost effectively as possible. In March, it obtained approval to set up a Dangerous Goods (DG) training centre through which it is also able to earn extra income from the provision of third-party training. It has also obtained global aviation training specialist CAE's agreement to install a brand-new Airbus A320 simulator exclusively for AirAsia India effective June 2019.

AirAsia India also made a mark by working closely with the Directorate General of Civil Aviation (DGCA) to develop regulations on Upset Prevention and Recovery Training (UPRT). Introduced by ICAO, UPRT serves to equip pilots with the skills to manage sudden jet upsets at high altitude caused by bad weather. AirAsia India drafted the regulation with assistance from AirAsia Group and aided DGCA with its implementation. A workshop was organised in collaboration with DGCA and CAE to brief of all other Indian airlines and DGCA officials on the training requirement for pilots.

Even as our associate has focused on growing its network, its headcount and capacity while containing costs, it has not forgotten the cardinal AirAsia rule, namely to be guest-obsessed. Enhancing its OTP and general service delivery, our associate won the vote of guests when it was presented the Best Customer Experience Award by UBS Forums at the 4th Edition CX Strategy Summit & Awards. It was also recognised by OAG Aviation Worldwide, a global aviation industry data analysis website, for having the 12th best OTP among the world's top low-cost carriers in 2018.

As 2019 unfolds, AirAsia India is set to continue to build on the solid foundation it has secured over the last six years. It will continue to focus on serving the underserved, connecting people in India in ways that were not possible before. The domestic air travel market in India is growing at a phenomenal rate, and our associate is determined to be part of this growth as it enables millions who have never flown before to experience the convenience and joy of air travel.

While the international air market is not as strong, it is still robust by global or even regional standards. With the delivery of its 20th aircraft in January, AirAsia India meets the requirement to operate international flights, and is already planning to spur further growth of travel to various destinations in Asean where the AirAsia Group already has a strong presence. If all goes to plan, 2019 will be a significant year with AirAsia India taking to international skies.

The gradual reduction in fuel price is a positive boon, providing some much appreciated relief in margin pressure while setting the perfect environment for our team in India to spread its wings and fly India to the rest of Asia.

» BUSINESS REVIEW

KEY FACTS



TOTAL PASSENGERS
CARRIED

261.7K



TOTAL FLEET

2

NETWORK

ROUTES

1

FLIGHTS / WEEK

42

UNIQUE ROUTES

0

DESTINATIONS

2

COUNTRIES SERVED

1

ALLSTARS

303

HUBS

1

NEW ROUTES IN 2018

0

Notes

1. Number of passengers carried, load factor, number of Allstars, network and total fleet are as at 31 December 2018.
2. Source of market share: Paxis, based on number of passengers from January to December 2018. Market share refers to AirAsia Group's short-haul market share in Japan.

AIRASIA

JAPAN



MARKET
SHARETOTAL MARKET
SHARE

0.1%

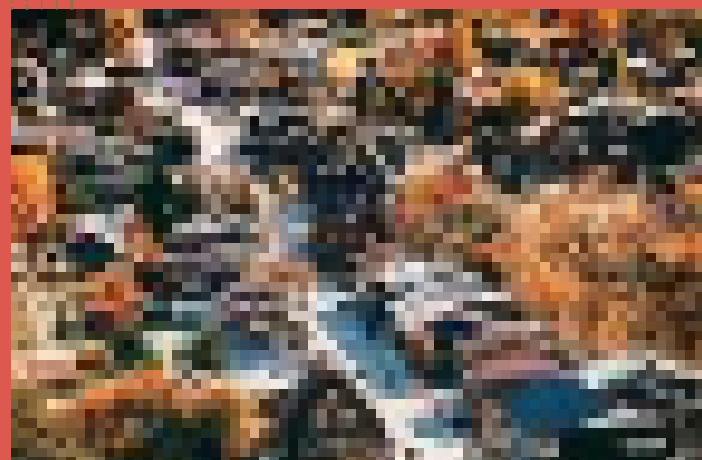
0.2%

DOM

INT

LOAD FACTOR

20%

GEARING UP FOR
THE BOOM

Just over a year since starting operations in Nagoya, our associate is set on making the city as famous for AirAsia as it is for Toyota, Honda and Mitsubishi. Differentiating itself from other low-cost carriers in Japan, it is truly embedding itself into the fabric of Aichi prefecture's capital, creating not just links between the city and the rest of Japan and the world, but also between itself and its community of Nagoyans.

It has been helping the city attract visitors through sponsorship of cultural and entertainment events – such as the World Cosplay Summit and the Nagoya TV Music Festival, the latter of which attracted over 10,000 people. As an official tourism partner of Nagoya City, our associate is also promoting its home-town via the travel360 inflight magazine while featuring the city's famous cuisine in its inflight menu.



» AIRASIA JAPAN

THE GROUP'S UNPARALLELED ASEAN CONNECTIVITY AS WELL AS THE SCALE IT OFFERS LEND AIRASIA JAPAN A DEFINITE EDGE OVER OTHER LOW-COST CARRIERS IN JAPAN.

For the people of Nagoya themselves, it is creating interest in the aviation industry in general, and AirAsia in particular, through corporate social responsibility (CSR) events such as the 'airline school'. This student programme was organised together with Central Japan International Airport Co Ltd (CJIAC), the company that operates Chubu Centrair International Airport in Nagoya. Our associate has also become a Diamond Sponsor of the town's professional football club – Nagoya Grampus – which plays in Japan's J1 League. As a result of this partnership, the AirAsia logo is prominently displayed at Grampus' main stadium and on the players' official training kits.

Indeed, initiatives to create a distinct Nagoyan identity not only bring our associate closer to its chosen home and its people, they also complement more specific branding efforts. These include advertising AirAsia's phenomenal 10th consecutive win as the World's Best Low-Cost Airline by Skytrax in Nagoya airport as well as in the airport buses in Nagoya, Tokyo Haneda and Narita and Osaka Kansai.

Operationally, AirAsia Japan saw its capacity grow more than seven fold by increasing the frequency of flights on its solo Nagoya to Sapporo route from twice daily to three times daily in July. Far from leading to emptier aircraft, the added capacity was met with a 12 percentage point increase in load factor from 68% to 80%. Consequently, AirAsia Japan saw a more than eight-fold increase in total number of guests carried during the year, from 31,942 (end October till end 2017) to 261,714 for the whole of 2018. Even better, the increases in flight frequency and guest numbers were achieved while maintaining an extremely encouraging on-time performance (OTP) of 90%.

The year 2019 started on a positive note, with AirAsia Japan launching its awaited international route – to Taipei. The inaugural daily flight took off on 1 February and has been attracting steady loads. Meanwhile, the team is looking for other exciting international destinations to add to its network, particularly in North Asia, while also building more capacity domestically. For both domestic and international routes, AirAsia Japan seeks to leverage AirAsia Group's extensive network for feed-in guests. The Group's unparalleled Asean connectivity as well as the scale it offers lend AirAsia Japan a definite edge over other low-cost carriers (LCCs) in Japan, and is something it will work to capitalise on.



ON-TIME
PERFORMANCE

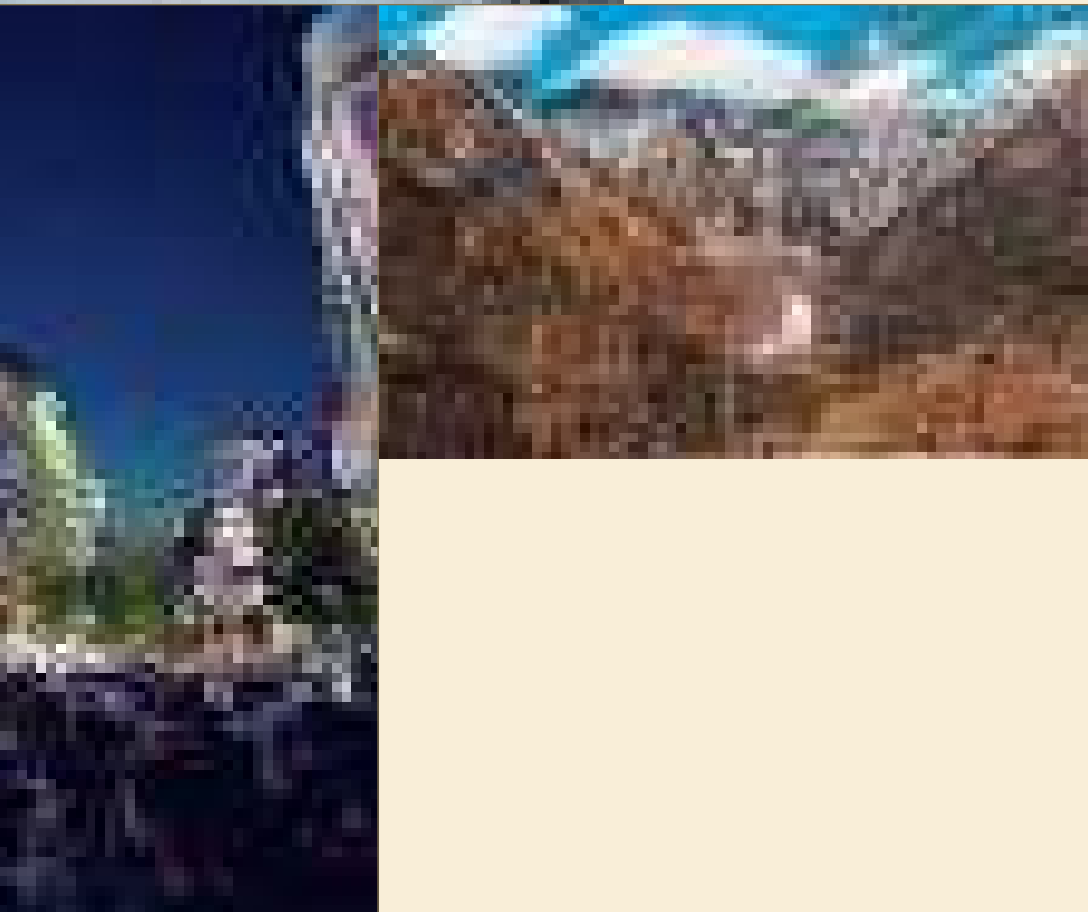
90%





Something else it will work to its benefit is the country's booming tourism industry. It is definitely a good time to be in the air travel industry in Japan, with tourist arrivals growing at a rate not seen anywhere else in the world. From 2012 to 2017, the number of international tourist visits to the Land of the Rising Sun increased by 250%, according to the United Nations World Tourism Organization (UNWTO). In 2018, despite a series of earthquakes and typhoons, the number of inbound visitors crossed 30 million for the first time ever. And the numbers will increase as the Japanese Government joins forces with the private sector to attract even more global travellers. Next year, when the country hosts the Olympics and Paralympics, the target is for no less than 40 million visitors.

While riding the wave of tourism, AirAsia Japan will continue to build the AirAsia brand and, for the first time, take its efforts beyond Nagoya to the rest of the country. A nation-wide campaign has already been planned and is waiting to be rolled out. Back home in Nagoya, too, exciting developments are unfolding. Under an expansion programme, Chubu Centrair International Airport – named by Skytrax as the World's Best Regional Airport four years in a row – is opening an LCC terminal in the third quarter. As the only LCC in Japan to be based in Nagoya, AirAsia Japan stands to benefit the most. And it is sure to share the perks enjoyed with its guests, making AirAsia the most obvious choice when flying into, out of or within Japan.



» BUSINESS REVIEW

KEY FACTS



TOTAL PASSENGERS
CARRIED

2.59
MILLION



TOTAL FLEET

35

NETWORK

ROUTES

32

FLIGHTS / WEEK

299

UNIQUE ROUTES

9

DESTINATIONS

26

COUNTRIES SERVED

7

ALLSTARS

3,312

HUBS

3

NEW ROUTES IN 2018

2

Notes

1. Number of passengers carried, load factor, number of Allstars, network and total fleet are as at 31 December 2018.
2. Countries served exclude Saudi Arabia (Jeddah and Medina).

AIRASIA





XCITING TIMES AHEAD

It was a year of growth for our sister medium-to-long-haul airline, AirAsia X. For the first time in three years, it took in five new aircraft – two for Malaysia and three for Thailand. It expanded its route network with a net addition of six new destinations. It also increased the frequency of flights on popular routes. This translated into an increase in capacity which supported 10% growth in number of guests carried.

LOAD FACTOR

82%



» AIRASIA X

AirAsia X's strong operational performance was driven by a strategy it embarked on in 2017 to create country dominance, namely to focus on its core markets of Greater China, Japan, South Korea and India. Accordingly, all new routes established were to markets where it already has a strong presence. From Kuala Lumpur, it introduced new flights to Amritsar and Jaipur, adding to the other destination it was already serving in India, ie New Delhi. It also launched flights to Changsha and Tianjin in China, further expanding a network that already included Beijing, Shanghai, Hangzhou, Wuhan, Xi'an, Chengdu and Chongqing.

AIRASIA X'S STRONG OPERATIONAL PERFORMANCE WAS DRIVEN BY A STRATEGY IT EMBARKED ON IN 2017 TO CREATE COUNTRY DOMINANCE, NAMELY TO FOCUS ON ITS CORE MARKETS OF GREATER CHINA, JAPAN, SOUTH KOREA AND INDIA.



CASK EX-FUEL

-7%



TOTAL NUMBER OF GUESTS


+10%

From Bangkok, AirAsia X Thailand unveiled flights to Nagoya and Sapporo in Japan where it had already built skybridges to Tokyo and Osaka. Over and above new routes, the Group also increased the frequency of flights to Greater China, Japan, and South Korea.

At the same time, it pulled out of single-route destinations such as Tehran in Iran, Male in the Maldives and Kathmandu in Nepal, while Auckland in New Zealand was terminated in February 2019. Following these route terminations, at year end, the only single-route destination left in the Group's network was Honolulu which, however, has such tourist magnetism that it has legitimately been exempt from the country dominance rule. In fact, the route is doing so well that, in August, AirAsia X increased its flight frequency from four times a week to daily, and still maintained steady loads.


The Group's growth was impressive given a year that was particularly challenging for low-cost, long-haul operations due to the 35% increase in price of fuel, devaluation of local currencies against the US dollar and natural disasters in Indonesia, one of AirAsia X's bases, as well as Japan and Hawaii, which it serves. These challenges were particularly marked for the Malaysian and Indonesian operations, affecting their financial performance.

In Malaysia, the challenges were further exacerbated by uncertainties brought about by general elections which saw the opposition come to power, a first since independence in 1957. This, together with provisions made for doubtful debts incurred by AirAsia X Indonesia amounting to RM161.7 million, meant that despite concerted efforts to cut costs – leading to a 7% reduction in cost per available seat kilometre excluding fuel (CASK ex-fuel) to 8.06 sen – the airline made its first loss since 2016.



In Indonesia, the situation was compounded by a series of earthquakes and tsunamis, especially in the second half of the year. These took a toll on tourism, with total foreign tourist arrivals of 15.8 million falling short of the 17 million that the Ministry of Tourism had targeted. Despite tactical measures to mitigate the impact of dampened tourism, such as operating from two hubs – Jakarta in addition to Bali – AirAsia X Indonesia was unable to maintain sustainable margins. This led to the management announcing in November that the airline would no longer operate on a scheduled basis but would be used for chartered flights. Its last scheduled flight, on the Bali – Tokyo Narita route, was on 15 January 2019.

AirAsia X Thailand, however, continued to build on the momentum of growth established in 2017 to achieve a record net operating profit of USD12.0 million. Following a strategy it called 'Master of Japan Network', it launched the Nagoya and Sapporo routes, as mentioned earlier, while increasing its flight frequency to Tokyo Narita. These led to a total of 1,154,202 guests carried to the Land of the Rising Sun, and an overall 24% increase in number of guests carried to 2.01 million supported by a 32% increase in available seat kilometre (ASK) capacity.



Going into 2019, although fuel prices have started to drop, AirAsia X is hedging more than 50% of its fuel requirements to prevent losses from unexpected price fluctuations. It is also reinforcing all cost saving measures, and will be working to derive more income from ancillary products such as AirAsia merchandise and duty free sold via OURSHOP, AirAsia's revamped online merchandise and duty free pre-booking website which will soon be available inflight through ROKKI's wifi service.

Meanwhile, data on inflight transactions collected from the electronic point-of-sales (ePOS) system Dolly, which was rolled out in 2018, will be integrated with AirAsia's database amassed from some half a billion guests. This will enable greater insight into the purchasing behaviour of its guests, enabling AirAsia X to personalise its marketing communication for greater ancillary up-sell while also managing pain points more effectively to provide an enhanced guest experience.



The operations in Thailand is gearing up to undergo an initial public listing (IPO) at the end of the year. With two of five aircraft to be added to its fleet in 2019 being the new generation and energy-efficient Airbus A330neo, AirAsia X Thailand will also enjoy the opportunity of expanding its network to even further destinations. It has set an internal target of growing the number of guests carried by 50%, and we have every confidence that it will meet this goal.

These are exciting times for the medium-to-long-haul group and we look forward to positive updates in the next annual report.